

SIYATHEMBA LOCAL MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS **FOR THE YEAR ENDED 30 JUNE 2015**

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GENERAL INFORMATION

P. Papier	Speaker
G.P. Mackay	Councillors
F.M. Van Wyk	Councillors
J. Molepe	Councillors
G.A. Speelman	Councillors
E. Martin	Councillors
G. Macdonald	Councillors
B.A. Titus	Councillors
Grade of Local Authority	Category B
Auditors	Office of the Auditor General
Bankers	ABSA Bank
Legal Advisors	Du Toit Attorneys
Registered Office	Siyathemba Municipality Victoria street Prieska 8940
Postal Offices	P.O Box 16 Prieska 8940
General Contacts	
Telephone number	+2753 353 5300
Telephone number	+2753 353 1386
JRM Alexander	Municipal Manager
J Badenhorst	Manager: Technical services

APPROVAL AND CERTIFICATION

I am responsible for the preparation of these annual financial statements, which are set out on the attached pages, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr JRM Alexander
MUNICIPAL MANAGER

31 August 2015
DATE

SIYATHEMBA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2015

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

It gives me great pleasure to present the Annual Financial Statements of Siyathemba Municipality at 30 June 2015.

These Annual Financial Statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003). The standards and pronouncements that form the GRAP Reporting Framework for the 2014/15 financial period is set out in Directive 5 issued by the ASB on 11 March 2009.

2. KEY FINANCIAL INDICATORS

The following indicators are self-explanatory. The percentages of expenditure categories are well within acceptable norms and indicate good governance of the funds of the municipality.

2.1 Financial Statement Ratios:

INDICATOR	2015	2014
Surplus / (Deficit) before Appropriations	(7,298,096)	(5,396,378)
Surplus / (Deficit) at the end of the Year	428,230,711	434,882,346
Expenditure Categories as a percentage of Total Expenses:		
Employee Related Costs	36.43%	34.29%
Remuneration of Councillors	2.82%	2.27%
Collection Costs	0.43%	0.04%
Depreciation and Amortisation	18.45%	19.06%
Impairment Losses	7.52%	7.44%
Repairs and Maintenance	2.65%	4.91%
Interest Paid	0.58%	0.75%
Bulk Purchases	16.81%	15.13%
Contracted Services	3.62%	6.59%
Grants and Subsidies Paid	0.06%	0.08%
General Expenses	10.62%	9.42%
Current Ratio:		
Trade Creditors Days	253	141
Debtors from Exchange Transactions Days	78	66

2.2 Performance Indicators:

INDICATOR	2015	2014
Financial Position		
Debtors Management:		
Outstanding Debtors to Revenue	16.58%	15.34%
Outstanding Service Debtors to Revenue	27.94%	25.92%
Liquidity Management:		
Liquidity Ratio	0.08	0.04
Liability Management:		
Capital Cost as percentage of Own Revenue	2.64%	3.27%
Borrowed Funding as percentage of Own Capital Expenditure	0.00%	0.00%
Borrowing as percentage of Total Capital Assets	0.23%	0.32%
Safety of Capital:		
Gearing	0.25%	0.35%
Financial Viability:		
Debt Coverage	60.28	58.99
Cost Coverage	0.04	0.01

A detailed ratio analysis, together with explanations, is included in Appendix "H".

3. OPERATING RESULTS

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

The services offered by Siyathemba Municipality can generally be classified as Rates and General, Economic and Trading Services and are discussed in more detail below.

The overall operating results for the year ended 30 June 2015 are as follows:

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income:					
Opening surplus / (deficit)	434,882,346	440,278,723	(1.23)	-	100.00
Operating income for the year	79,700,088	83,540,192	(4.60)	72,925,046	9.29
Appropriations for the year	-	-	-	-	-
	514,582,433	523,818,915	(1.76)	72,925,046	605.63
Expenditure:					
Operating expenditure for the year	86,998,184	88,936,569	(2.18)	62,237,608	39.78
Sundry transfers	-	-	-	-	-
Closing surplus / (deficit)	428,365,140	434,882,346	(1.50)	10,687,438	3,908.12
	515,363,324	523,818,915	(1.61)	72,925,046	606.70

3.1 Rates and General Services:

Rates and General Services are all types of services rendered by the municipality, excluding those listed below. The main income sources are Assessment Rates and Sundry Fees levied.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	39,908,690	43,965,932	(9.23)	31,134,408	28.18
Expenditure	52,997,073	53,472,205	(0.89)	33,159,816	59.82
Surplus / (Deficit)	(13,088,383)	(9,506,272)	37.68	(2,025,408)	546.21
Surplus / (Deficit) as % of total income	(32.80)%	(21.62)%		(6.51)%	

3.2 Housing Services:

Housing Services are services rendered by the municipality to supply housing to the community and includes the rental of units owned by the municipality to public and staff. The main income source is the levying of Housing Rentals.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	232	-	100.00	347	(33.33)
Expenditure	-	-	-	-	-
Surplus / (Deficit)	232	-	100.00	347	(33.33)
Surplus / (Deficit) as % of total income	100.00%	-		100.00%	

3.3 Waste Management Services:

Waste Management Services are services rendered by the municipality for the collection, disposal and purifying of waste (refuse and sewerage). Income is mainly generated from the levying of fees and tariffs determined by the council.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	3,089,027	2,926,282	5.56	3,243,637	(4.77)
Expenditure	2,899,355	3,843,932	(24.57)	2,933,470	(1.16)
Surplus / (Deficit)	189,672	(917,650)	(120.67)	310,167	(38.85)
Surplus / (Deficit) as % of total income	6.14%	(31.36)%		9.56%	

3.4 Electricity Services:

Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R14,549,826 (2014: R13,089,014). Tariffs levied for electricity are subject to administered adjustments.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	17,185,122	15,918,691	7.96	21,140,632	(18.71)
Expenditure	17,133,581	16,221,157	5.62	17,147,733	(0.08)
Surplus / (Deficit)	51,540	(302,466)	(117.04)	3,992,898	(98.71)
Surplus / (Deficit) as % of total income	0.30%	(1.90)%		18.89%	

3.5 Water Services:

Water is bought in bulk from DWA and distributed to the consumers by the municipality. The cost of bulk purchases to the municipality was R72,821 (2014: R368,478). Tariffs levied for water are subject to administered adjustments.

DETAILS	Actual 2014/15 R	Actual 2013/14 R	Percentage Variance %	Budgeted 2014/15 R	Variance actual/ budgeted %
Income	13,415,803	14,901,165	(9.97)	11,048,508	21.43
Expenditure	9,598,007	10,521,201	(8.77)	4,996,914	92.08
Surplus / (Deficit)	3,817,796	4,379,963	(12.83)	6,051,595	(36.91)
Surplus / (Deficit) as % of total income	28.46%	29.39%		54.77%	

4. RECONCILIATION OF BUDGET TO ACTUAL

4.1 Operating Budget:

DETAILS	2015	2014
<i>Variance per Category:</i>		
Budgeted surplus before appropriations	10,687,438	(37,349,899)
Revenue variances	6,775,042	(33,538,607)
Expenditure variances:		
Employee Related Costs	(241,742)	7,558,993
Remuneration of Councillors	(389,033)	(239,955)
Collection Costs	(301,460)	(36,045)
Depreciation and Amortisation	(16,051,795)	(8,859,242)
Impairment Losses	(6,544,289)	(4,113,918)
Repairs and Maintenance	(26,760)	(1,516,198)
Interest Paid	(390,318)	1,288,635
Bulk Purchases	246,660	25,349,364
Contracted Services	405,028	5,357,551
Grants and Subsidies Paid	16,818	30,949,137
General Expenses	(1,496,542)	9,761,378
Loss on disposal of Property, Plant and Equipment	12,856	(7,571)
Actual surplus before appropriations	(7,298,096)	(5,396,378)

DETAILS	2015	2014
<i>Variance per Service Segment:</i>		
Budgeted surplus before appropriations	10,687,438	9,255,587
Executive and Council	(3,193,125)	1,585,324
Budget and Treasury Office	(20,353,558)	(3,465,325)
Corporate Services	(1,366,478)	671,546
Planning and Development	-	-
Health	-	(1,148)
Community and Social Services	894,187	449,606
Housing	(116)	(60,000)
Public Safety	(2,662)	(8,443)
Sport and Recreation	124,225	306,833
Environmental Protection	-	9,206
Waste Management	(120,495)	2,518,924
Roads and Transport	12,812,263	(13,608,702)
Water	(2,233,799)	1,355,039
Electricity	(3,941,358)	(3,470,903)
Other	22,173	631,807
Actual surplus before appropriations	(6,671,304)	(3,830,650)

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results are included in Appendices "E (1), E (2) and E (3)".

5. ACCUMULATED SURPLUS

The balance of the Accumulated Surplus as at 30 June 2015 amounted to R428,230,711 (30 June 2014: R434,882,346) and is made up as follows:

Accumulated Surplus	428,230,711
	<u>428,230,711</u>

6. LONG-TERM LIABILITIES

The outstanding amount of Long-term Liabilities as at 30 June 2015 was R1,091,036 (30 June 2014: R1,512,512).

Refer to Note 19 and Appendix "A" for more detail.

7. EMPLOYEE BENEFIT LIABILITIES

Employee Benefit Liabilities amounted R11,650,769 as at 30 June 2015 (30 June 2014: R10,664,201) and is made up as follows:

Post-retirement Health Care Benefits Liability	7,316,295
Long Service Awards Liability	3,331,566
Ex-Gratia Pension	1,002,908
	<u>11,650,769</u>

The Post-retirement Health Care Benefits Liability is in respect of continued Health Care Benefits for employees of the municipality after retirement being members of schemes providing for such benefits. This liability is unfunded.

The Long-term Service Liability is an estimate of the long-service based on historical staff turnover. No other long-term service benefits are provided to employees. This liability is unfunded.

Refer to Note 20 for more detail.

8. NON-CURRENT PROVISIONS

Non-current Provisions amounted R5,662,820 as at 30 June 2015 (30 June 2014: R5,377,889) and is made up as follows:

Provision for Rehabilitation of Land-fill Sites	5,662,820
	<u>5,662,820</u>

These provisions are made in order to enable the municipality to be in a position to fulfill its known legal obligations when they become due and payable.

Refer to Note 21 for more detail.

9. CURRENT LIABILITIES

Current Liabilities amounted R34,523,585 as at 30 June 2015 (30 June 2014: R28,348,633) and is made up as follows:

Consumer Deposits	Note 13	646,825
Provisions	Note 14	757,262
Payables from Exchange Transactions	Note 15	20,634,184
Payables from Non-exchange Transactions	Note 16	8,939,777
Unspent Conditional Grants and Receipts	Note 17	50,128
VAT Payable	Note 18	3,073,933
Current Portion of Long-term Liabilities	Note 19	421,476
		<u>34,523,585</u>

Current Liabilities are those liabilities of the municipality due and payable in the short-term (less than 12 months). There is no known reason as to why the municipality will not be able to meet its obligations.

Refer to the indicated Notes for more detail.

10. PROPERTY, PLANT AND EQUIPMENT

The net value of Property, Plant and Equipment was R438,973,148 as at 30 June 2015 (30 June 2014: R442,218,519).

Refer to Note 8 and Appendix "B" for more detail.

11. INTANGIBLE ASSETS

The net value of Intangible Assets were R1,408,257 as at 30 June 2015 (30 June 2014: R1,415,056).

Intangible Assets are assets which cannot physically be identified and verified and are in respect of computer software obtained by the municipality in order to be able to fulfil its duties as far as service delivery is concerned.

Refer to Note 9 and Appendix "B" for more detail.

12. INVESTMENT PROPERTY

The net value of Investment Properties were R25,584,000 as at 30 June 2015 (30 June 2014: R25,584,000).

Investment Property is property held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of operations.

Refer to Note 10 and Appendix "B" for more detail.

13. HERITAGE ASSETS

The net value of Heritage Assets were R1,226,200 as at 30 June 2015 (30 June 2014: R1,226,200).

Heritage Assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Refer to Note 11 and Appendix "B" for more detail.

14. LONG-TERM RECEIVABLES

Long-term Receivables of R21,107 at 30 June 2015 (30 June 2014: R23,590) is made up as follows:

Debtors Capitalised Loans	-
Housing Loans	23,589
	<u>23,589</u>
Less: Short-term portion included in Current Assets	2,482
	<u>21,107</u>

The decrease in the amount for Long-term Receivables is due to the increased amount in the short-term portion due to agreements expiring in the year 2014/15.

Refer to Note 12 for more detail.

15. CURRENT ASSETS

Current Assets amounted R13,946,208 as at 30 June 2015 (30 June 2014: R10,318,216) and is made up as follows:

Inventories	Note 2	575,495
Receivables from Exchange Transactions	Note 3	5,890,400
Receivables from Non-exchange Transactions	Note 4	4,545,843
VAT Receivable	Note N/A	-
Cash and Cash Equivalents	Note 5	2,910,224
Operating Lease Assets	Note 6	21,764
Current Portion of Long-term Debtors	Note 12	2,482
		<u>13,946,208</u>

16. INTER-GOVERNMENTAL GRANTS

The municipality is dependent on financial aid from other government spheres to finance its annual capital programme. Operating grants are utilised to finance indigent assistance and provision of free basic services.

Refer to Notes 17 and 27, and Appendix "F" for more detail.

17. EVENTS AFTER THE REPORTING DATE

Full details of all known events, if any, after the reporting date are disclosed in Note 57.

18. EXPRESSION OF APPRECIATION

We are grateful to the Mayor, members of the Executive Committee, Councillors, the Municipal Manager and Heads of Departments for the support extended during the financial year. A special word of thanks to all staff in the Finance Department, for without their assistance these Annual Financial Statements would not have been possible.

CHIEF FINANCIAL OFFICER

31 August 2015

SIYATHEMBA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2015

		Actual	
	Note	2015 R	2014 Restated R
ASSETS			
Current Assets		13,946,208	10,318,216
Inventories	2	575,495	479,434
Receivables from Exchange Transactions	3	5,890,400	4,518,667
Receivables from Non-exchange Transactions	4	4,545,843	4,286,316
Cash and Cash Equivalents	5	2,910,224	1,005,616
Operating Lease Receivables	6	21,764	21,764
Current Portion of Long-term Receivables	7	2,482	6,418
Non-Current Assets		467,212,713	470,467,365
Property, Plant and Equipment	8	438,973,148	442,218,519
Intangible Assets	9	1,408,257	1,415,056
Investment Property	10	25,584,000	25,584,000
Heritage Assets	13	1,226,200	1,226,200
Biological Assets	N/A	-	-
Long-term Receivables	12	21,107	23,590
Total Assets		481,158,921	480,785,580
LIABILITIES			
Current Liabilities		34,523,585	28,348,633
Consumer Deposits	13	646,825	601,415
Provisions	14	757,262	761,646
Payables from Exchange Transactions	15	20,634,184	13,596,802
Payables from Non-exchange Transactions	16	8,939,777	9,250,421
Unspent Conditional Grants and Receipts	17	50,128	414,178
VAT Payable	18	3,073,933	1,544,014
Bank Overdraft	5	-	1,609,808
Current Portion of Long-term Liabilities	19	421,476	570,347
Non-Current Liabilities		18,404,625	17,554,602
Long-term Liabilities	19	1,091,036	1,512,512
Employee Benefit Liabilities	20	11,650,769	10,664,201
Non-current Provisions	21	5,662,820	5,377,889
Total Liabilities		52,928,210	45,903,234
Total Assets and Liabilities		428,230,711	434,882,346
NET ASSETS		428,230,711	434,882,346
Accumulated Surplus / (Deficit)	22	428,230,711	434,882,346
Total Net Assets		428,230,711	434,882,346

SIYATHEMBA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
	Note	2015	2014
		R	Restated R
REVENUE			
Revenue from Non-exchange Transactions			
Property Rates	23	7,960,250	7,696,812
Property Rates - Penalties imposed and collection charges	31	-	-
Fines	24	33,591	32,010
Licences and Permits	25	450	100
Income from Agency Services	26	1,084,920	1,055,429
Government Grants and Subsidies Received	27	39,027,905	47,132,924
Public Contributions and Donations	28	439	14,912
Revenue from Exchange Transactions			
Service Charges	29	27,409,972	24,927,138
Rental of Facilities and Equipment	30	782,172	730,173
Interest Earned - External Investments	31	104,364	98,482
Interest Earned - Outstanding Debtors	31	1,206,818	641,156
Other Revenue	32	2,089,207	1,211,055
Total Revenue		79,700,088	83,540,192
EXPENDITURE			
Employee Related Costs	33	31,696,053	30,499,201
Remuneration of Councillors	34	2,456,549	2,020,672
Collection Costs	35	370,867	36,045
Depreciation and Amortisation	36	16,051,795	16,953,733
Impairment Losses	37	6,544,289	6,619,947
Repairs and Maintenance	38	2,308,769	4,364,864
Finance Costs	39	503,021	669,785
Bulk Purchases	40	14,622,647	13,457,492
Contracted Services	41	3,146,241	5,861,742
Grants and Subsidies Paid	42	56,187	70,605
General Expenses	43	9,241,766	8,374,914
Loss on Disposal of Property, Plant and Equipment	44	-	7,571
Total Expenditure		86,998,184	88,936,569
SURPLUS / (DEFICIT) FOR THE YEAR		(7,298,096)	(5,396,378)
Refer to Budget Statement for explanation of budget variances			

SIYATHEMBA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015

Description	Total for Accumulated Surplus/(Deficit) Account	Total
2014	R	R
Balance at 30 June 2013	440,278,723	440,278,723
Change in Accounting Policy (Note N/A)	-	-
Correction of Error (Note N/A)	-	-
Restated Balance	440,278,723	440,278,723
Surplus / (Deficit) for the year	(5,396,378)	(5,396,378)
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
Balance at 30 June 2014	434,882,346	434,882,346
2015		
Change in Accounting Policy (Note N/A)	-	-
Correction of Error (Note N/A)	-	-
Restated Balance	435,663,236	435,663,236
Surplus / (Deficit) for the year	(7,298,096)	(7,298,096)
Contributions to Funds and Reserves	-	-
Interest allocated to Funds and Reserves	-	-
Donated / Contributed PPE	-	-
Grants utilised to obtain PPE	-	-
Funds and Reserves utilised to finance PPE	-	-
Asset disposals	-	-
Offsetting of Depreciation	-	-
Balance at 30 June 2015	428,365,140	428,365,140

Details on the movement of the Funds and Reserves are set out in Note 22.

SIYATHEMBA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

		Actual	
	Note	2015	2014
		R	Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Property Rates	23	6,642,153	5,858,629
Government Grant and Subsidies	27	38,663,854	46,504,125
Service Charges	29	20,644,592	17,752,929
Interest Received	31	104,364	98,482
Other Receipts	32	5,156,248	4,069,969
Payments			
Employee Related Costs	33	(30,675,513)	(30,586,723)
Remuneration of Councillors	34	(2,456,549)	(2,020,672)
Interest Paid	39	(503,021)	(669,785)
Suppliers Paid	41	(11,606,417)	(20,115,857)
Other Payments	43	(9,086,428)	(5,737,668)
NET CASH FLOWS FROM OPERATING ACTIVITIES		16,883,723	15,168,342
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	8	(12,799,626)	(16,888,302)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(12,798,959)	(16,875,042)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	19	(570,347)	(518,433)
NET CASH FLOWS FROM FINANCING ACTIVITIES		(570,347)	(518,433)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		3,514,417	(2,225,134)
Cash and Cash Equivalents at Beginning of Period		(604,193)	1,620,941
Cash and Cash Equivalents at End of Period	5	2,910,224	(604,193)

SIYATHEMBA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015

30 June 2015

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	37,548	-	37,548	-	-	37,548	575,495	-	537,947	1,532.69	1,532.69
Receivables from Exchange Transactions	81,349,816	-	81,349,816	-	-	81,349,816	5,890,400	-	(75,459,416)	7.24	7.24
Receivables from Non-exchange Transactions	39,751	-	39,751	-	-	39,751	4,545,843	-	4,506,092	11,435.79	11,435.79
Cash and Cash Equivalents	18,442,200	-	18,442,200	-	-	18,442,200	2,910,224	-	(15,531,976)	15.78	15.78
Non-Current Assets											
Property, Plant and Equipment	83,176,959	-	83,176,959	-	-	83,176,959	438,973,148	-	355,796,189	527.76	527.76
Intangible Assets	-	-	-	-	-	-	1,408,257	-	1,408,257	0.00	0.00
Investment Property	-	-	-	-	-	-	25,584,000	-	25,584,000	0.00	0.00
Heritage Assets	-	-	-	-	-	-	1,226,200	-	1,226,200	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	21,107	-	21,107	0.00	0.00
Total Assets	183,046,274	-	183,046,274	-	-	183,046,274	481,158,921	-	298,112,647	262.86	262.86
Current Liabilities											
Consumer Deposits	6,859,933	-	6,859,933	-	-	6,859,933	646,825	-	(6,213,108)	9.43	9.43
Provisions	125,349,946	-	125,349,946	-	-	125,349,946	757,262	-	(124,592,684)	0.60	0.60
Payables from Exchange Transactions	-	-	-	-	-	-	20,634,184	-	20,634,184	0.00	0.00
Payables from Non-exchange Transactions	56,280,012	-	56,280,012	-	-	56,280,012	8,939,777	-	(47,340,235)	15.88	15.88
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	50,128	-	50,128	0.00	0.00
VAT Payable	-	-	-	-	-	-	3,073,933	-	3,073,933	0.00	0.00
Current Portion of Long-term Liabilities	-	-	-	-	-	-	421,476	-	421,476	0.00	0.00
Non-Current Liabilities											
Long-term Liabilities	2,785,630	-	2,785,630	-	-	2,785,630	1,091,036	-	(1,694,594)	39.17	39.17
Retirement Benefit Liabilities	314,376	-	314,376	-	-	314,376	11,650,769	-	11,336,393	3,706.00	3,706.00
Non-current Provisions	-	-	-	-	-	-	5,662,820	-	5,662,820	0.00	0.00
Total Liabilities	191,589,898	-	191,589,898	-	-	191,589,898	52,928,210	-	(138,661,687)	27.63	27.63
Total Assets and Liabilities	(8,543,624)	-	(8,543,624)	-	-	(8,543,624)	428,230,711	-	436,774,334	0.00	0.00
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	(8,543,624)	-	(8,543,624)	-	-	(8,543,624)	428,230,711	-	436,774,334	0.00	0.00
Total Net Assets	(8,543,624)	-	(8,543,624)	-	-	(8,543,624)	428,230,711	-	436,774,334	0.00	0.00
							(0)		(0)		

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	8,522,520	-	8,522,520	-	3,468,554	11,991,074	7,960,250	-	(4,030,824)	66.38	93.40
Fines	401,000	-	401,000	-	(370,433)	30,567	33,591	-	3,024	109.89	8.38
Licences and Permits	-	-	-	-	675	675	450	-	(225)	66.67	0.00
Income for Agency Services	1,031,900	-	1,031,900	-	(1,029,592)	2,309	1,084,920	-	1,082,612	46,996.77	105.14
Government Grants and Subsidies Received	39,709,999	-	39,709,999	-	(13,149,475)	26,560,524	26,975,067	-	414,542	101.56	67.93
Public Contributions and Donations	-	-	-	-	658	658	439	-	(219)	66.67	0.00
Revenue from Exchange Transactions											
Service Charges	35,113,932	-	35,113,932	-	(4,779,169)	30,334,763	27,409,972	-	(2,924,791)	90.36	78.06
Rental of Facilities and Equipment	880,250	-	880,250	-	(119,758)	760,492	782,172	-	21,680	102.85	88.86
Interest Earned - External Investments	400,000	-	400,000	-	(323,431)	76,569	104,364	-	27,795	136.30	26.09
Interest Earned - Outstanding Debtors	350,000	-	350,000	-	1,033,496	1,383,496	1,206,818	-	(176,678)	87.23	344.81
Other Income	4,861,635	-	4,861,635	-	(3,077,715)	1,783,920	2,089,207	-	305,287	117.11	42.97
Total Revenue	91,271,236	-	91,271,236	-	(18,346,190)	72,925,046	67,647,250	-	(5,277,796)	92.76	74.12
Expenditure											
Employee Related Costs	40,400,688	-	40,400,688	-	(8,946,376)	31,454,312	31,696,053	241,742	241,742	100.77	78.45
Remuneration of Councillors	2,575,339	-	2,575,339	-	(507,823)	2,067,516	2,456,549	389,033	389,033	118.82	95.39
Collection Costs	40,000	-	40,000	-	29,408	69,408	370,867	301,460	301,460	534.33	927.17
Depreciation and Amortisation	11,104,753	-	11,104,753	-	(11,104,753)	-	16,051,795	16,051,795	16,051,795	0.00	144.55
Impairment Losses	3,193,773	-	3,193,773	-	(3,193,773)	-	6,544,289	6,544,289	6,544,289	0.00	204.91
Repairs and Maintenance	3,150,928	-	3,150,928	-	(868,919)	2,282,009	2,308,769	26,760	26,760	101.17	73.27
Finance Costs	792,066	-	792,066	-	(679,363)	112,703	503,021	390,318	390,318	446.32	63.51
Bulk Purchases	14,189,431	-	14,189,431	-	679,876	14,869,307	14,622,647	-	(246,660)	98.34	103.05
Contracted Services	2,075,000	-	2,075,000	-	1,476,268	3,551,268	3,146,241	-	(405,028)	88.59	151.63
Grants and Subsidies Paid	-	-	-	-	73,005	73,005	56,187	-	(16,818)	76.96	0.00
General Expenses	11,907,445	-	11,907,445	-	(4,162,221)	7,745,224	9,241,766	1,496,542	1,496,542	119.32	77.61
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	12,856	12,856	-	-	(12,856)	0.00	0.00
Total Expenditure	89,429,423	-	89,429,423	-	(27,191,816)	62,237,608	86,998,184	25,441,938	24,760,576	139.78	97.28
Surplus/(Deficit)	1,841,813	-	1,841,813	-	8,845,625	10,687,438	(19,350,934)	(25,441,938)	(30,038,373)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	12,052,838	12,052,838	12,052,838	0.00	0.00
Surplus/(Deficit for the Year)	1,841,813	-	1,841,813	-	8,845,625	10,687,438	(7,298,096)	(13,389,100)	(17,985,535)	-	-

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	6,745,515	-	6,745,515	-	-	6,745,515	6,642,153	-	(103,361)	98.47	98.47
Grants	41,716,200	-	41,716,200	-	-	41,716,200	38,663,854	-	(3,052,346)	92.68	92.68
Public Contributions and Donations	-	-	-	-	-	-	439	439	439	0.00	0.00
Service Charges	27,101,534	-	27,101,534	-	-	27,101,534	20,644,592	-	(6,456,942)	76.17	76.17
Interest Received	5,825,000	-	5,825,000	-	-	5,825,000	104,364	-	(5,720,636)	1.79	1.79
Other Receipts	31,986,951	-	31,986,951	-	-	31,986,951	5,156,248	-	(26,830,703)	16.12	16.12
Employee Related Costs	(36,202,366)	4,502,289	(31,700,077)	-	-	(31,700,077)	(30,675,513)	1,024,564	1,024,564	0.00	0.00
Remuneration of Councillors	(3,105,272)	(594,728)	(3,700,000)	-	-	(3,700,000)	(2,456,549)	1,243,451	1,243,451	0.00	0.00
Interest Paid	(241,542)	-	(241,542)	-	-	(241,542)	(503,021)	-	(261,479)	0.00	0.00
Suppliers Paid	(63,216,144)	(3,907,561)	(67,123,705)	-	-	(67,123,705)	(11,606,417)	55,517,288	55,517,288	0.00	0.00
Other Payments	(8,033,928)	-	(8,033,928)	-	-	(8,033,928)	(9,086,428)	-	(1,052,500)	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(10,427,200)	-	(10,427,200)	-	-	(10,427,200)	(12,799,626)	-	(2,372,426)	0.00	0.00
Cash Flows from/(used in) Financing Activities											
New Loans raised	-	-	-	-	-	-	-	-	-	0.00	0.00
Loans repaid	(894,155)	-	(894,155)	-	-	(894,155)	(570,347)	323,808	323,808	0.00	0.00
Cash and Cash Equivalents at End of the Year	(8,745,407)	-	(8,745,407)	-	-	(8,745,407)	3,514,417	58,110,217	12,259,824	0.00	0.00

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL POSITION											
Current Assets											
Inventories	-	-	-	-	-	-	479,434	-	479,434	0.00	0.00
Receivables from Exchange Transactions	93,580,508	-	93,580,508	-	-	93,580,508	4,518,667	-	(89,061,840)	4.83	4.83
Receivables from Non-exchange Transactions	-	-	-	-	-	-	4,286,316	-	4,286,316	0.00	0.00
Cash and Cash Equivalents	461,352	-	461,352	-	-	461,352	1,005,616	-	544,264	217.97	217.97
Operating Lease Receivables	-	-	-	-	-	-	21,764	-	21,764	0.00	0.00
Current Portion of Long-term Receivables	-	-	-	-	-	-	6,418	-	6,418	0.00	0.00
Non-Current Assets											
Property, Plant and Equipment	91,821,875	-	91,821,875	-	-	91,821,875	442,218,519	-	350,396,644	481.60	481.60
Intangible Assets	-	-	-	-	-	-	1,415,056	-	1,415,056	0.00	0.00
Investment Property	-	-	-	-	-	-	25,584,000	-	25,584,000	0.00	0.00
Heritage Assets	-	-	-	-	-	-	1,226,200	-	1,226,200	0.00	0.00
Long-term Receivables	-	-	-	-	-	-	23,590	-	23,590	0.00	0.00
Total Assets	185,863,735	-	185,863,735	-	-	185,863,735	480,785,580	-	294,921,845	258.68	258.68
Current Liabilities											
Consumer Deposits	-	-	-	-	-	-	601,415	-	601,415	0.00	0.00
Provisions	-	-	-	-	-	-	761,646	-	761,646	0.00	0.00
Payables from Exchange Transactions	-	-	-	-	-	-	13,596,802	-	13,596,802	0.00	0.00
Payables from Non-exchange Transactions	21,700,635	-	21,700,635	-	-	21,700,635	9,250,421	-	(12,450,214)	42.63	42.63
Unspent Conditional Grants and Receipts	-	-	-	-	-	-	414,178	-	414,178	0.00	0.00
VAT Payable	-	-	-	-	-	-	1,544,014	-	1,544,014	0.00	0.00
Bank Overdraft	-	-	-	-	-	-	1,609,808	-	1,609,808	0.00	0.00
Current Portion of Long-term Liabilities	223,718	-	223,718	-	-	223,718	570,347	-	346,630	254.94	254.94
Non-Current Liabilities											
Long-term Liabilities	2,637,907	-	2,637,907	-	-	2,637,907	1,512,512	-	(1,125,396)	57.34	57.34
Retirement Benefit Liabilities	480,718	-	480,718	-	-	480,718	10,664,201	-	10,183,483	2,218.39	2,218.39
Non-current Provisions	-	-	-	-	-	-	5,377,889	-	5,377,889	0.00	0.00
Total Liabilities	25,042,978	-	25,042,978	-	-	25,042,978	45,903,234	-	20,860,256	183.30	183.30
Total Assets and Liabilities	160,820,756	-	160,820,756	-	-	160,820,756	434,882,346	-	274,061,590	270.41	270.41
Net Assets (Equity)											
Accumulated Surplus / (Deficit)	160,820,756	-	160,820,756	-	-	160,820,756	434,882,346	-	274,061,590	270.41	270.41
Total Net Assets	160,820,756	-	160,820,756	-	-	160,820,756	434,882,346	-	274,061,590	270.41	270.41

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE											
Revenue from Non-exchange Transactions											
Property Rates	6,923,924	1,029,610	7,953,533	-	(6,927)	7,946,607	7,696,812	-	(249,795)	96.86	111.16
Fines	104,524	(85,894)	18,630	-	32,370	51,000	32,010	-	(18,990)	62.77	30.62
Licences and Permits	-	-	-	-	-	-	100	-	100	0.00	0.00
Income for Agency Services	4,902,074	(158,048)	4,744,026	-	(3,761,026)	983,000	1,055,429	-	72,429	107.37	21.53
Government Grants and Subsidies Received	56,992,160	(6,019,914)	50,972,246	-	4,215,272	55,187,518	28,368,481	-	(26,819,037)	51.40	49.78
Public Contributions and Donations	-	-	-	-	20,000	20,000	14,912	-	(5,088)	74.56	0.00
Revenue from Exchange Transactions											
Service Charges	46,303,881	(18,781,110)	27,522,771	-	113,401	27,636,173	24,927,138	-	(2,709,034)	90.20	53.83
Rental of Facilities and Equipment	449,326	(40,185)	409,141	-	413,859	823,000	730,173	-	(92,827)	88.72	162.50
Interest Earned - External Investments	1,071,151	19,566	1,090,717	-	(740,717)	350,000	98,482	-	(251,518)	28.14	9.19
Interest Earned - Outstanding Debtors	4,224	5,449,740	5,453,964	-	(4,953,964)	500,000	641,156	-	141,156	128.23	15,178.88
Other Income	327,535	200,227	527,762	-	2,565,138	3,092,900	1,211,055	-	(1,881,845)	39.16	369.75
Total Revenue	117,078,799	(18,386,008)	98,692,791	-	(2,102,593)	96,590,197	64,775,748	-	(31,814,449)	67.06	55.33
Expenditure											
Employee Related Costs	38,058,194	(6,381,514)	31,676,680	-	4,171,739	35,848,419	30,499,201	-	(5,349,218)	85.08	80.14
Remuneration of Councillors	1,780,717	1,134,041	2,914,758	-	(533,918)	2,380,840	2,020,672	-	(360,168)	84.87	113.48
Collection Costs	-	-	-	-	30,000	30,000	36,045	6,045	6,045	120.15	0.00
Depreciation and Amortisation	8,094,490	-	8,094,490	-	2,493,420	10,587,910	16,953,733	6,365,823	6,365,823	160.12	209.45
Impairment Losses	2,506,029	-	2,506,029	-	659,261	3,165,290	6,619,947	3,454,657	3,454,657	209.14	264.16
Repairs and Maintenance	2,848,666	125,669	2,974,335	-	(30,835)	2,943,500	4,364,864	1,421,364	1,421,364	148.29	153.22
Finance Costs	1,958,420	651,413	2,609,833	-	(1,843,082)	766,751	669,785	-	(96,966)	87.35	34.20
Bulk Purchases	38,806,856	-	38,806,856	-	(21,122,906)	17,683,950	13,457,492	-	(4,226,458)	76.10	34.68
Contracted Services	11,219,293	1,571,145	12,790,437	-	(8,915,437)	3,875,000	5,861,742	1,986,742	1,986,742	151.27	52.25
Grants and Subsidies Paid	31,019,742	(2,358,967)	28,660,774	-	(28,660,774)	-	70,605	70,605	70,605	0.00	0.23
General Expenses	18,136,291	(2,212,577)	15,923,714	-	(5,870,764)	10,052,950	8,374,914	-	(1,678,036)	83.31	46.18
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	7,571	7,571	7,571	0.00	0.00
Total Expenditure	154,428,698	(7,470,790)	146,957,908	-	(59,623,298)	87,334,610	88,936,569	13,312,806	1,601,959	101.83	57.59
Surplus/(Deficit)	(37,349,899)	(10,915,218)	(48,265,117)	-	57,520,704	9,255,587	(24,160,821)	(13,312,806)	(33,416,408)	0.00	0.00
Transfers Recognised - Capital	-	-	-	-	-	-	18,764,443	18,764,443	18,764,443	0.00	0.00
Surplus/(Deficit for the Year)	(37,349,899)	(10,915,218)	(48,265,117)	-	57,520,704	9,255,587	(5,396,378)	5,451,638	(14,651,965)	-	-

Description	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R	R	R	R
CASH FLOW											
Cash Flows from/(used in) Operating Activities											
Property Rates	62,114,000	-	62,114,000	-	(15,064,500)	47,049,500	5,858,629	-	(41,190,871)	12.45	9.43
Grants	46,346,000	-	46,346,000	-	5,449,000	51,795,000	46,504,125	-	(5,290,875)	89.78	100.34
Public Contributions and Donations	-	-	-	-	-	-	14,912	14,912	14,912	0.00	0.00
Service Charges	-	-	-	-	-	-	17,752,929	17,752,929	17,752,929	0.00	0.00
Interest Received	-	-	-	-	-	-	98,482	98,482	98,482	0.00	0.00
Other Receipts	-	-	-	-	-	-	4,069,969	4,069,969	4,069,969	0.00	0.00
Employee Related Costs	(39,046,281)	-	(39,046,281)	-	4,537,409	(34,508,872)	(30,586,723)	3,922,149	3,922,149	0.00	0.00
Remuneration of Councillors	(1,548,674)	-	(1,548,674)	-	(811,448)	(2,360,122)	(2,020,672)	339,450	339,450	0.00	0.00
Interest Paid	(240,000)	-	(240,000)	-	-	(240,000)	(669,785)	-	(429,785)	0.00	0.00
Suppliers Paid	-	-	-	-	-	-	(20,115,857)	-	(20,115,857)	0.00	0.00
Other Payments	(113,716,045)	-	(113,716,045)	-	3,715,082	(110,000,963)	(5,737,668)	104,263,295	104,263,295	0.00	0.00
Cash Flows from/(used in) Investing Activities											
Purchase of Property, Plant and Equipment	(19,583,000)	-	(19,583,000)	-	(109,833)	(19,692,833)	(16,888,302)	2,804,531	2,804,531	0.00	0.00
Cash Flows from/(used in) Financing Activities											
Loans repaid	-	-	-	-	-	-	(518,433)	-	(518,433)	0.00	0.00
Cash and Cash Equivalents at End of the Year	(65,674,000)	-	(65,674,000)	-	(2,284,290)	(67,958,290)	(2,225,134)	133,285,553	65,733,156	0.00	0.00

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

1.1 Standards of General Recognised Accounting Practice (GRAP) and Interpretations (IGRAP) issued and effective:

- GRAP 1 - Presentation of Financial Statements (as revised in 2010)
- GRAP 2 - Cash Flow Statements (as revised in 2010)
- GRAP 3 - Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010)
- GRAP 4 - The Effects of Changes in Foreign Exchange Rates (as revised in 2010)
- GRAP 5 - Borrowing Costs (as revised in 2013)
- GRAP 6 - Consolidated and Separate Financial Statements
- GRAP 7 - Investments in Associates
- GRAP 8 - Interests in Joint Ventures
- GRAP 9 - Revenue from Exchange Transactions (as revised in 2010)
- GRAP 10 - Financial Reporting in Hyperinflationary Economies (as revised in 2010)
- GRAP 11 - Construction Contracts (as revised in 2010)
- GRAP 12 - Inventories (as revised in 2010)
- GRAP 13 - Leases (as revised in 2010)
- GRAP 14 - Events After the Reporting Date (as revised in 2010)
- GRAP 16 - Investment Property (as revised in 2010)
- GRAP 17 - Property, Plant and Equipment (as revised in 2010)
- GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets (as revised in 2010)
- GRAP 21 - Impairment of Non-cash-generating Assets
- GRAP 23 - Revenue from Non-exchange Transactions (Taxes and Transfers)
- GRAP 24 - Presentation of Budget Information in Financial Statements
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 27 - Agriculture
- GRAP 31 - Intangible Assets
- GRAP 100 - Discontinued Operations (as revised in 2013)
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- IGRAP 1 - Applying the Probability Test on Initial Recognition of Revenue (As revised in 2012)
- IGRAP 2 - Changes in Existing Decommissioning, Restoration and Similar Liabilities
- IGRAP 3 - Determining whether an Arrangement Contains a Lease
- IGRAP 4 - Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IGRAP 5 - Applying the Restatement Approach under the Standard of GRAP on Financial Reporting in Hyperinflationary Economies
- IGRAP 6 - Loyalty Programmes
- IGRAP 7 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IGRAP 8 - Agreements for the Construction of Assets from Exchange Transactions
- IGRAP 9 - Distributions of Non-cash Assets to Owners
- IGRAP 10 - Assets Received from Customers
- IGRAP 13 - Operating Leases – Incentives
- IGRAP 14 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease
- IGRAP 15 - Revenue – Barter Transactions Involving Advertising Services
- IGRAP 16 - Intangible Assets – Website Costs

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2014 and 30 June 2015 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

The municipality changes an Accounting Policy only if the change:

- (a) Is required by a Standard of GRAP; or
- (b) Results in the Annual Financial Statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cash flow.

1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue Recognition

Accounting Policy 11.2 on Revenue from Exchange Transactions and Accounting Policy 11.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 Financial Assets and Liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement by management. Accounting Policy 8.1 on Financial Assets Classification and Accounting Policy 8.2 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement, management considered the definition and recognition criteria for the classification of Financial Instruments as set out in GRAP 104 (*Financial Instruments*).

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.3.3 Impairment of Financial Assets

Accounting Policy 8.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of Financial Assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:

The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of Receivables from Exchange Transactions and Receivables from Non-exchange Transactions are disclosed in Notes 3 and 4 to the Annual Financial Statements.

1.3.4 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 3.3, 4.2 and 5.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.3.5 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, Investment Property, Heritage Assets and

Accounting Policy 7 on Impairment of Assets, Accounting Policy 4.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 9.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash Generating Assets) and GRAP 26 (Impairment of Cash Generating Assets). In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Property, Plant and Equipment, Intangible Assets, Investment Property, Heritage Assets and Inventory are disclosed in Notes 2, 8, 9, 10 and 11 to the Annual Financial Statements, if applicable.

1.3.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

1.3.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.4 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.5 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Basis*.

1.6 Offsetting

Assets, Liabilities, Revenues and Expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.7 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- | | |
|------------|--|
| • GRAP 18 | Segment Reporting - issued March 2005 |
| • GRAP 20 | Related Party Disclosures (Revised) |
| • GRAP 32 | Service Concession Arrangement Grantor |
| • GRAP 105 | Transfers between Entities under common control - issued November 2010 |
| • GRAP 106 | Transfers between Entities not under common control - issued November 2010 |
| • GRAP 107 | Mergers - issued November 2010 |
| • GRAP 108 | Statutory Receivables |
| • IGRAP 17 | Service Concession Arrangements where a Grantor controls a significant Residual Interest in an Asset |

The Minister of Finance announced that the application of GRAP 25 will be effective for the period starting after 1 April 2013. All other standards as listed above will only be effective when a date is announced by the Minister of Finance.

The ASB Directive 5, paragraph 29, sets out the principles for the application of the GRAP 3 guidelines in the determination of the GRAP Reporting Framework hierarchy as set out in the standard of GRAP 3 on *Accounting Policies, Changes in Accounting Estimates and Errors*.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued but is not yet in effect, the municipality may select to apply the principles established in that standard in developing an appropriate Accounting Policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate Accounting Policies dealing with the following transactions, but have not early adopted these Standards:

- | | |
|-----------|-------------------------------------|
| • GRAP 20 | Related Party Disclosures (Revised) |
|-----------|-------------------------------------|

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2. NET ASSETS

Included in the Net Assets of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1 Accumulated Surplus

Included in the Accumulated Surplus of the municipality are the following Reserves that are maintained in terms of specific requirements:

2.1.1 Capital Replacement Reserve (CRR)

In order to finance the provision of Infrastructure and other items of Property, Plant and Equipment from internal sources, amounts are transferred from the Accumulated Surplus/(Deficit) to the CRR in terms of delegated powers.

The following provisions are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised. The cash may only be invested in accordance with the Investment Policy of the municipality.
- The CRR may only be utilised for the purpose of purchasing items of Property, Plant and Equipment and may not be used for the maintenance of these items.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR and the Accumulated Surplus/(Deficit) is credited by a corresponding amount.
- If a profit is made on the sale of assets other than land, the profit on these assets is reflected in the Statement of Financial Performance and is then transferred, via the Statement of Changes in Net Assets, to the CRR, provided that it is cash backed. Profit on the sale of land is not transferred to the CRR as it is regarded as revenue.

2.1.2 Capitalisation Reserve

On the implementation of GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of Property, Plant and Equipment were transferred to a Capitalisation Reserve rather than the Accumulated Surplus/(Deficit) in terms of a directive (Circular No 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of Property, Plant and Equipment are offset by transfers from this Reserve to the Accumulated Surplus/(Deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of Property, Plant and Equipment financed from the former legislated funds. When items of Property, Plant and Equipment are depreciated, a transfer is made from the Capitalisation Reserve to the Accumulated Surplus/(Deficit).

When an item of Property, Plant and Equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

2.1.3 Donations and Public Contributions Reserve

When items of Property, Plant and Equipment are financed from public contributions and donations, a transfer is made from the Accumulated Surplus/(Deficit) to the Donations and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from donations and public contributions.

When an item of Property, Plant and Equipment financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2.1.4 Government Grants Reserve

When items of Property, Plant and Equipment are financed from government grants, a transfer is made from the Accumulated Surplus/(Deficit) to the Government Grants Reserve equal to the government grants recorded as revenue in the Statement of Financial Performance in accordance with a directive (Circular No 18) issued by National Treasury. When such items of Property, Plant and Equipment are depreciated, a transfer is made from the Government Grants Reserve to the Accumulated Surplus/(Deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of Property, Plant and Equipment financed from government grants.

When an item of Property, Plant and Equipment financed from government grants is disposed, the balance in the Government Grants Reserve relating to such item is transferred to the Accumulated Surplus/(Deficit).

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of Property, Plant and Equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Property, Plant and Equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Property, Plant and Equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as Property, Plant and Equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of Property, Plant and Equipment, they are accounted for as Property, Plant and Equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to Property, Plant and Equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of Property, Plant and Equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

3.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Asset Class	Years	Asset Class	Years
Buildings		Community	
Improvements	5 - 50	Community Facilities	5 - 50
		Recreational Facilities	10 - 40
Infrastructure		Other	
Electricity	10 - 50	Computer Equipment	5 - 10
Railways	30	Emergency Equipment	5 - 10
Roads and Paving	5 - 80	Furniture and Fittings	5 - 15
Sanitation	10 - 55	Motor Vehicles	7 - 10
		Office Equipment	5 - 15
		Plant and Equipment	2 - 15
		Specialist Vehicles	10 - 15
		Other Assets	5 - 15

The assets' residual values, estimated useful lives and depreciation method are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

3.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

3.5 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure Assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure Assets are treated similarly to all other assets of the municipality in terms of the Asset Management Policy.

3.6 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.7 Derecognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The gain or loss arising from the derecognition of an item of Property, Plant and Equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue.

Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposals are included in the Statement of Financial Performance as a gain or loss on disposal of Property, Plant and Equipment.

4. INTANGIBLE ASSETS

The municipality changed its Accounting Policy from GRAP 102 to GRAP 31 with no effect on the financial information previously disclosed.

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets. The municipality recognises an Intangible Asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated Intangible Assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as Intangible Assets when the following criteria are fulfilled:

- (a) It is technically feasible to complete the Intangible Asset so that it will be available for use;
- (b) Management intends to complete the Intangible Asset and use or sell it;
- (c) There is an ability to use or sell the Intangible Asset;
- (d) It can be demonstrated how the Intangible Asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the Intangible Asset are
- (f) The expenditure attributable to the Intangible Asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs

Intangible Assets are initially recognised at cost. The cost of an Intangible Asset is the purchase price and other costs attributable to

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

4.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an Intangible Asset at a later date.

In terms of GRAP 31, Intangible Assets are distinguished between internally generated Intangible Assets and other Intangible Assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a *Straight-line Basis* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

	Asset Class	Years		Asset Class	Years
	Computer Software	5			

Intangible Assets are annually tested for impairment as described in Accounting Policy 7 on Impairment of Assets, including Intangible Assets not yet available for use. Where items of Intangible Assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a Change in Accounting Estimate in the Statement of Financial Performance.

4.3 Derecognition

Intangible Assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an Intangible Asset is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

5. INVESTMENT PROPERTY

5.1 Initial Recognition

Investment Property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures Investment Property at cost including transaction costs once it meets the definition of Investment Property. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed Investment Property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish Investment Properties from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of operations, the land is regarded as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and
- (e) Property that is being constructed or developed for future use as investment property.

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (e) Property held to provide goods and services and also generates cash inflows; and
- (f) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment.

5.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 30 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

5.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

6. HERITAGE ASSETS

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations.

Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

6.1 Initial Recognition

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

6.2 Subsequent Measurement

Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all Heritage Assets are measured at cost, less accumulated impairment losses.

6.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

6.4 Transitional Provisions

The municipality utilised the transitional provisions under Directive 4, which allows 3 years for the measurement of Heritage Assets.

7. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets*. All other assets are classified as *Non-cash Generating Assets*.

7.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

7.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

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8. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets*, *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions

The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Effective Interest Rate Method

The Effective Interest Method is a method of calculating the amortised cost of a Financial Asset or a Financial Liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the Financial Instrument or, when appropriate, a shorter period to the net carrying amount of the Financial Asset or Financial Liability.

Amortised Cost

Amortised Cost is the amount at which the Financial Asset or Financial Liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation, using the Effective Interest Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

8.1 Financial Assets – Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity.

In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

- **Financial Assets measured at Amortised Cost** are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the *Effective Interest Rate Method* less a provision for impairment.
- **Financial Assets measured at Fair Value** are financial assets that meet either of the following conditions:
 - (i) Derivatives;
 - (ii) Combined instruments that are designated at fair value;
 - (iii) Instruments held for trading;
 - (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
 - (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

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- **Financial Assets measured at Cost** are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Notice Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Call Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). Cash Equivalents are short-term

8.2 Financial Liabilities – Classification

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- Financial Liabilities measured at Fair Value;
- Financial Liabilities measured at Amortised Cost; or
- Financial Liabilities measured at Cost.

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

8.3 Initial and Subsequent Measurement

8.3.1 Financial Assets:

Financial Assets measured at Amortised Cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis*.

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as *Financial Assets at Amortised Cost*.

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Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in the Statement of Financial Performance.

8.3.2 Financial Liabilities:

Financial Liabilities measured at Fair Value

Financial Liabilities at Fair Value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method*. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

8.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

8.4.1 Financial Assets at Amortised Cost

Accounts Receivable encompass Long-term Debtors, Receivables from Exchange Transactions (Consumer Debtors) and Receivables from Non-exchange Transactions (Other Debtors).

Initially Accounts Receivable are valued at fair value excluding transaction costs, and subsequently carried at amortised cost using the *Effective Interest Rate Method*. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made in accordance with GRAP 104 whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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8.4.2 Financial Assets at Cost

If there is objective evidence that an impairment loss has been incurred on an investment in a Residual Interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the Financial Asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

8.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

8.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

9. INVENTORIES

9.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

9.2 Subsequent Measurement

9.2.1 Consumable Stores, Raw Materials, Work-in-Progress and Finished Goods

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the *FIFO* cost of commodities.

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9.2.2 Unsold Properties

Unsold properties are valued at the lower of cost and net realisable value on a *Weighted Average Cost Basis*. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

9.2.3 Other Arrangements

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

10. NON-CURRENT ASSETS HELD-FOR-SALE

The standard on GRAP 100, "*Non-current Assets Held-for-Sale*", has been amended with effect as of the current year. The amendments led to the following changes in the presentation, classification and measurement of Non-current Assets Held-for-Sale:

- (a) Changes to the way in which Non-current Assets Held-for-Sale are measured, applied prospectively at the beginning of the period in which these amendments are adopted; and
- (b) Changes to the way in which Non-current Assets Held-for-Sale are classified and presented in the Statement of Financial Position and accompanying Notes, applied retrospectively by adjusting information for the earliest period presented.

This implies that assets classified as held-for-sale would be reclassified to its original designation (e.g. Property, Plant and Equipment) from the first period presented. The assets will be measured based on its original classification.

As per the transitional provision of this standard, management has assessed the residual values, useful lives, depreciation methods, and any indicators of impairment of the reclassified assets at the beginning of the 2014/15 period and not for prior periods. The reclassification was affected in the comparative figures as required by the transitional arrangements.

11. REVENUE RECOGNITION

11.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

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Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

11.2 Revenue from Exchange Transactions

11.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

11.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

11.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

11.2.4 Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

11.2.5 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

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11.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

11.2.7 Sale of Goods (including Houses)

Revenue from the sale of goods is recognised when all the following conditions have been met:

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

11.3 Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

11.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

11.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from the issuing of fines is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue for fines is recognised when the fine is issued at the full amount of the receivable, considering the allowance in terms of IGRAP 1 to use estimates to determine the amount of revenue that the municipality is entitled to collect.

Assessing and recognising impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears. Such an assessment is not be made at the time of initial recognition.

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11.3.3 Public Contributions

Donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

11.3.4 Government Grants and Receipts

Conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

11.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

13. EMPLOYEE BENEFIT LIABILITIES

The municipality changed its Accounting Policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed.

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

13.2.1 Defined Contribution Plans

A **Defined Contribution Plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

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The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

13.2.2 Defined Benefit Plans

A **Defined Benefit Plan** is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincially-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

14. LEASES

14.1 Classification

Leases are classified as **Finance Leases** where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as **Operating Leases**.

14.2 The Municipality as Lessee

14.2.1 Operating Leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a *Straight-line Basis*, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

14.3 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

15. BORROWING COSTS

16. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

17. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in the Statement of Financial Performance in the period it occurred and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

19. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

21. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

23. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

24. RELATED PARTIES

The municipality changed its Accounting Policy from IPSAS 20 to GRAP 20 with no effect on the financial information previously disclosed.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

25. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

26. COMPARATIVE INFORMATION

26.1 Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

26.2 Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

26.3 Budget Information

SIYATHEMBA MUNICIPALITY

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2014 to 30 June 2015.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

1. GENERAL INFORMATION

Siyathemba Municipality (the municipality) is a local government institution, Northern Cape Province, and is one of nine local municipalities under the jurisdiction of the Pixley ka Seme District Municipality. The addresses of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

Maintenance Materials	492,581	403,891
Water	82,914	75,543
Total Inventories	<u>575,495</u>	<u>479,434</u>

Inventories are held for own use and measured at the lower of Cost or Net Realisable Value.
 Water Inventory Losses of R122, 507 have been recognised as an expense and is included in Note 43

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Service Debtors:	36,682,935	32,358,484	4,324,451
Electricity	2,160,686	1,884,376	276,310
Refuse	2,767,653	2,383,116	384,538
Sewerage	8,904,387	7,538,817	1,365,571
Water	22,850,208	20,552,175	2,298,033
Other Receivables	3,379,429	1,813,480	1,565,949
Total Receivables from Exchange Transactions	<u>40,062,364</u>	<u>34,171,963</u>	<u>5,890,400</u>

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Service Debtors:	30,539,621	27,459,260	3,080,361
Electricity	2,079,619	1,538,019	541,600
Refuse	2,443,445	2,198,753	244,692
Sewerage	8,258,143	7,296,666	961,478
Water	17,758,414	16,425,822	1,332,592
Other Receivables	3,174,976	1,736,670	1,438,306
Total Receivables from Exchange Transactions	<u>33,714,597</u>	<u>29,195,930</u>	<u>4,518,667</u>

Other Receivables include outstanding debtors for various other services, e.g. Arrangements, Deposits, Housing, Interest, Rentals and Sundry Services like Garden Refuse, Sanitation Bags, etc.

Receivables from Exchange Transactions are billed monthly, latest end of month. No interest is charged on Receivables until the end of the following month. Thereafter interest is charged at a rate determined by council on the outstanding balance.

The municipality receives applications that it processes. Deposits are required to be paid for all electricity and water accounts opened. There are no consumers who represent more than 5% of the total balance of Receivables.

At 30 June 2015, the municipality is owed R1,837,819 (30 June 2014: R1,924,226) by National and Provincial Government, a portion of which is also included in Receivables from Non-Exchange Transactions.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

The municipality did not pledge any of its Receivables as security for borrowing purposes.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2015

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	1,026,157	237,766	158,150	2,151,452	3,573,525
Less: Provision for Impairment	61,830	49,762	51,896	1,720,888	1,884,376
Net Balances	964,326	188,005	106,254	430,564	1,689,148
Refuse:					
Gross Balances	118,226	69,108	59,344	2,520,976	2,767,653
Less: Provision for Impairment	39,372	37,685	37,876	2,268,182	2,383,116
Net Balances	78,854	31,423	21,468	252,793	384,538
Sewerage:					
Gross Balances	279,862	158,089	128,407	8,338,070	8,904,429
Less: Provision for Impairment	77,077	78,462	76,024	7,307,254	7,538,817
Net Balances	202,786	79,627	52,384	1,030,816	1,365,612
Water:					
Gross Balances	724,543	484,760	524,020	20,310,988	22,044,311
Less: Provision for Impairment	393,618	387,040	429,342	19,342,176	20,552,175
Net Balances	330,925	97,720	94,678	968,813	1,492,136
Other Receivables:					
Gross Balances	90,058	23,012	22,203	3,244,157	3,379,429
Less: Provision for Impairment	31,595	15,567	15,479	1,750,838	1,813,480
Net Balances	58,463	7,444	6,724	1,493,319	1,565,949

As at 30 June Receivables of R4,862,030 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
All Receivables:				
Gross Balances	972,735	892,124	36,565,643	38,430,502
Less: Provision for Impairment	568,516	610,617	32,389,339	33,568,471
Net Balances	404,219	281,507	4,176,304	4,862,030

As at 30 June 2014

	Current	Past Due			Total
	<i>0 - 30 days</i>	<i>31 - 60 Days</i>	<i>61 - 90 Days</i>	<i>+ 90 Days</i>	
Electricity:					
Gross Balances	1,077,417	160,128	97,911	744,163	2,079,619
Less: Provision for Impairment	70,866	45,138	38,498	1,383,517	1,538,019
Net Balances	1,006,551	114,990	59,414	(639,354)	541,600
Refuse:					
Gross Balances	114,215	59,280	55,086	2,214,863	2,443,445
Less: Provision for Impairment	42,249	40,972	41,845	2,073,686	2,198,753
Net Balances	71,966	18,308	13,241	141,176	244,692
Sewerage:					
Gross Balances	277,836	141,236	117,260	7,721,811	8,258,143
Less: Provision for Impairment	85,492	90,089	81,134	7,039,951	7,296,666
Net Balances	192,344	51,147	36,127	681,861	961,478
Water:					
Gross Balances	691,948	489,430	491,850	15,675,951	17,349,180
Less: Provision for Impairment	420,675	400,930	433,673	15,170,545	16,425,822
Net Balances	271,273	88,500	58,177	505,407	923,357
Other Receivables:					
Gross Balances	64,192	46,164	44,200	3,020,421	3,174,976
Less: Provision for Impairment	36,226	34,954	34,807	1,630,684	1,736,670
Net Balances	27,966	11,210	9,393	1,389,737	1,438,306

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

As at 30 June Receivables of R2,539,333 were past due but not impaired. The age analysis of these Receivables are as follows:

Past Due			Total
31 - 60 Days	61 - 90 Days	+ 90 Days	
896,239	806,307	29,377,209	31,079,755
612,083	629,956	27,298,382	28,540,422
284,155	176,351	2,078,826	2,539,333

All Receivables:

Gross Balances
Less: Provision for Impairment

Net Balances

3.2 Summary of Receivables from Exchange Transactions by Customer Classification

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	1,281,462	660,100	294,385	2,898
<u>Past Due:</u>				
31 - 60 Days	759,679	120,637	91,553	867
61 - 90 Days	756,860	51,982	83,282	-
+ 90 Days	34,789,295	717,293	1,059,055	-
Sub-total	37,587,295	1,550,012	1,528,275	3,765
Less: Provision for Impairment	33,620,409	551,555	-	-
Total Trade Receivables by Customer Classification	3,966,886	998,457	1,528,275	3,765

	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
<u>Current:</u>				
0 - 30 days	1,250,938	690,872	279,324	4,474
<u>Past Due:</u>				
31 - 60 Days	749,061	64,299	82,879	-
61 - 90 Days	708,863	43,081	54,363	-
+ 90 Days	27,878,106	621,681	877,422	-
Sub-total	30,586,968	1,419,932	1,293,988	4,474
Less: Provision for Impairment	28,707,072	488,858	-	-
Total Trade Receivables by Customer Classification	1,879,896	931,074	1,293,988	4,474

3.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	29,195,930	24,611,529
Impairment Losses recognised	5,393,648	5,335,028
Impairment Losses reversed	-	-
Amounts written off as uncollectable	(417,614)	(750,627)
Amounts recovered	-	-
Balance at end of year	34,171,963	29,195,930

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.4 Ageing of impaired Receivables from Exchange Transactions

<u>Current:</u>		
0 - 30 Days	603,492	655,508
<u>Past Due:</u>		
31 - 60 Days	568,516	612,083
61 - 90 Days	610,617	629,956
+ 90 Days	32,389,339	27,298,382
Total	34,171,963	29,195,930
	(0.01)	(0.01)

3.5 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Gross
Balances

Provision for
Impairment

Net
Balances

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
	R	R	R
As at 30 June 2015			
Assessment Rates Debtors	13,777,252	11,378,519	2,398,733
Payments made in Advance	20,000	-	20,000
Sundry Deposits	26,389	-	26,389
Sundry Debtors	2,038,901	-	2,038,901
Irregular Expenditure	61,820	-	61,820
Total Receivables from Non-exchange Transactions	15,924,361	11,378,519	4,545,843
	Gross Balances	Provision for Impairment	Net Balances
	R	R	R
As at 30 June 2014			
Assessment Rates Debtors	12,459,156	10,229,693	2,229,462
Payments made in Advance	20,000	-	20,000
Sundry Deposits	26,389	-	26,389
Sundry Debtors	1,948,646	-	1,948,646
Irregular Expenditure	61,820	-	61,820
Total Receivables from Non-exchange Transactions	14,516,009	10,229,693	4,286,316

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2015

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	548,784	304,989	281,721	12,641,757	13,777,252
Less: Provision for Impairment	209,657	211,910	210,372	10,746,580	11,378,519
Net Balances	339,128	93,079	71,349	1,895,177	2,398,733

As at 30 June Receivables of R-1,839,733 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	304,989	281,721	8,742,419	9,329,130
Less: Provision for Impairment	211,910	210,372	10,746,580	11,168,862
Net Balances	93,079	71,349	(2,004,161)	(1,839,733)

As at 30 June 2014

	Current 0 - 30 days	Past Due			Total
		31 - 60 Days	61 - 90 Days	+ 90 Days	
Assessment Rates:					
Gross Balances	536,162	275,120	252,810	11,395,064	12,459,156
Less: Provision for Impairment	209,052	199,926	195,706	9,625,009	10,229,693
Net Balances	327,110	75,194	57,104	1,770,054	2,229,462

As at 30 June Receivables of R1,902,352 were past due but not impaired. The age analysis of these Receivables are as follows:

	Past Due			Total
	31 - 60 Days	61 - 90 Days	+ 90 Days	
All Receivables:				
Gross Balances	275,120	252,810	11,395,064	11,922,994
Less: Provision for Impairment	199,926	195,706	9,625,009	10,020,641
Net Balances	75,194	57,104	1,770,054	1,902,352

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015		2014	
	R		R	
4.2 Summary of Assessment Rates Debtors by Customer Classification				
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2015				
<u>Current:</u>				
0 - 30 days	433,659	97,823	12,369	4,934
<u>Past Due:</u>				
31 - 60 Days	275,185	17,850	8,853	3,102
61 - 90 Days	254,740	15,723	8,445	2,813
+ 90 Days	12,114,176	206,667	279,878	41,037
Sub-total	13,077,760	338,062	309,544	51,886
Less: Provision for Impairment	11,172,891	158,375	-	47,252
Total Rates Debtors by Customer Classification	1,904,869	179,687	309,544	4,634
	Household	Industrial/ Commercial	National and Provincial Government	Other
	R	R	R	R
As at 30 June 2014				
<u>Current:</u>				
0 - 30 days	433,552	81,773	14,697	6,139
<u>Past Due:</u>				
31 - 60 Days	244,172	17,902	9,421	3,626
61 - 90 Days	226,202	15,714	7,788	3,105
+ 90 Days	10,582,097	184,628	598,332	30,006
Sub-total	11,486,023	959,562	630,238	42,876
Less: Provision for Impairment	10,053,652	138,448	-	37,593
Total Rates Debtors by Customer Classification	1,432,371	821,113	630,238	5,283
	2015		2014	
	R		R	

4.3 Reconciliation of Provision for Impairment

	2015	2014
	R	R
Balance at beginning of year	10,229,693	9,149,496
Impairment Losses recognised	1,148,826	1,080,198
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Balance at end of year	11,378,519	10,229,693

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated by evaluating the payment history of each individual debtor, and determining their subsequent payment ratio as per history.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

Provision for Impairment was calculated on Receivables other than Assessment Rates Debtors as the management is of the opinion that all Receivables are recoverable within normal credit terms.

5. CASH AND CASH EQUIVALENTS

Current Investments	(43,133)	1,004,816
Bank Accounts	2,952,557	-
Bank Overdraft	-	(1,609,808)
Cash and Cash Equivalents	800	800
Total Bank, Cash and Cash Equivalents	2,910,224	(604,193)

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash

5.1 Current Investment Deposits

Call Deposits	(43,133)	1,004,816
Notice Deposits	-	-
Total Current Investment Deposits	(43,133)	1,004,816

Call Deposits are investments with a maturity period of less than 3 months and earn interest at varying rates.

Notice Deposits are investments with a maturity period of less than 12 months and earn interest at varying rates.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
5.2 Bank Accounts		
Cash in Bank	2,952,557	-
Bank Overdraft	-	(1,609,808)
Total Bank Accounts	2,952,557	(1,609,808)

The Municipality has the following bank accounts:

Primary Bank Account

ABSA Bank - Prieska Branch - Account Number 40-5355-2997:

Cash book balance at beginning of year	-1,609,808.28	1,620,141.24
Cash book balance at end of year	<u>2,952,556.86</u>	<u>-1,609,808.28</u>
Bank statement balance at beginning of year	-147,531.23	-328,404.00
Bank statement balance at end of year	<u>1,580,133.41</u>	<u>-147,531.23</u>

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

5.3 Cash and Cash Equivalents

Cash Floats and Advances	800	800
Total Cash on hand in Cash Floats, Advances and Equivalents	800	800

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

6. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	21,764	18,060
Operating Lease Revenue recorded	-	3,704
Operating Lease Revenue effected	-	-
Total Operating Lease Receivables	21,764	21,764

7. CURRENT PORTION OF LONG-TERM RECEIVABLES

Housing Loans	2,482	6,418
Total Current Portion of Long-term Receivables	2,482	6,418

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8 PROPERTY, PLANT AND EQUIPMENT

30 June 2015

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2014	85,852,898	349,469,489	-	5,366,406	-	1,529,725	442,218,519
Cost	91,884,368	418,287,875	-	9,654,343	-	3,149,933	522,976,519
- Completed Assets	91,884,368	391,335,186	-	9,654,343	-	3,149,933	496,023,830
- Under Construction	-	26,952,689	-	-	-	-	26,952,689
Correction of error (Note N/A)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(93,801)	-	(110,921)	(204,721)
Accumulated Depreciation:	(6,031,470)	(68,818,386)	-	(4,194,136)	-	(1,509,287)	(80,553,279)
- Cost	(6,031,470)	(68,818,386)	-	(4,194,136)	-	(1,509,287)	(80,553,279)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	-	-	-	70,133	-	-	70,133
Capital under Construction - Additions:	-	12,729,493	-	-	-	-	12,729,493
Depreciation:	(2,113,626)	(14,288,042)	-	794,962	-	(438,291)	(16,044,997)
Impairment Losses	-	-	-	-	-	-	-
Capital under Construction - Completed	-	(22,421,572)	-	-	-	-	(22,421,572)
Other Movements	-	22,421,572	-	-	-	-	22,421,572
- Cost	-	22,421,572	-	-	-	-	22,421,572
Carrying values at 30 June 2015	83,739,272	347,910,940	-	6,231,501	-	1,091,434	438,973,148
Cost	91,884,368	431,017,368	-	9,724,476	-	3,149,933	535,776,145
- Completed Assets	91,884,368	413,756,758	-	9,724,476	-	3,149,933	518,515,534
- Under Construction	-	17,260,611	-	-	-	-	17,260,611
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(93,801)	-	(110,921)	(204,721)
Accumulated Depreciation:	(8,145,096)	(83,106,428)	-	(3,399,174)	-	(1,947,578)	(96,598,276)
- Cost	(8,145,096)	(83,106,428)	-	(3,399,174)	-	(1,947,578)	(96,598,276)
- Revaluation	-	-	-	-	-	-	-

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2014

Reconciliation of Carrying Value

Description	Land and Buildings	Infra-structure	Community	Other	Housing Development Fund	Leased Infra-structure	Total
	R	R	R	R	R	R	R
Carrying values at 01 July 2013	87,015,210	332,913,159	-	6,114,705	-	2,158,486	428,201,560
Cost	91,684,899	401,731,545	-	9,533,058	-	3,149,933	506,099,435
- Completed Assets	91,684,899	391,335,186	-	9,533,058	-	3,149,933	495,703,076
- Under Construction	-	10,396,359	-	-	-	-	10,396,359
Correction of error (Note N/A)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	-	-	-
Accumulated Depreciation:	(4,669,689)	(68,818,386)	-	(3,418,353)	-	(991,447)	(77,897,875)
- Cost	(4,669,689)	(68,818,386)	-	(3,418,353)	-	(991,447)	(77,897,875)
- Revaluation	-	-	-	-	-	-	-
Acquisitions	199,469	-	-	132,503	-	-	331,972
Capital under Construction - Additions:	-	16,556,330	-	-	-	-	16,556,330
Depreciation:	(1,361,781)	-	-	(779,430)	-	(517,841)	(2,659,052)
Capital under Construction - Completed	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	-	-
Carrying values at 30 June 2014	85,852,898	349,469,489	-	5,366,406	-	1,529,725	442,218,519
Cost	91,884,368	418,287,875	-	9,654,343	-	3,149,933	522,976,519
- Completed Assets	91,884,368	391,335,186	-	9,654,343	-	3,149,933	496,023,830
- Under Construction	-	26,952,689	-	-	-	-	26,952,689
Revaluation	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	(93,801)	-	(110,921)	(204,721)
Accumulated Depreciation:	(6,031,470)	(68,818,386)	-	(4,194,136)	-	(1,509,287)	(80,553,279)
- Cost	(6,031,470)	(68,818,386)	-	(4,194,136)	-	(1,509,287)	(80,553,279)
- Revaluation	-	-	-	-	-	-	-

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

8 PROPERTY, PLANT AND EQUIPMENT (Continued)

8.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

8.2 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R0 (2014: R204,721) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 37.

9 INTANGIBLE ASSETS

At Cost less Accumulated Amortisation and Accumulated Impairment Losses

1,408,257 **1,415,056**

The movement in Intangible Assets is reconciled as follows:

	Computer Software	Total
Carrying values at 01 July 2014	1,415,056	1,415,056
Cost	1,427,193	1,427,193
Accumulated Amortisation	(12,137)	(12,137)
Amortisation:	(6,798)	(6,798)
Purchased	(6,798)	(6,798)
Internally Developed	-	-
Carrying values at 30 June 2015	1,408,257	1,408,257
Cost	1,427,193	1,427,193
Accumulated Amortisation	(18,936)	(18,936)
	Computer Software	Total
Carrying values at 01 July 2013	1,415,120	1,415,120
Cost	1,420,618	1,420,618
Accumulated Amortisation	(5,498)	(5,498)
Amortisation:	(6,639)	(6,639)
Purchased	(6,639)	(6,639)
Internally Developed	-	-
Carrying values at 30 June 2014	1,415,056	1,415,056
Cost	1,427,193	1,427,193
Accumulated Amortisation	(12,137)	(12,137)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 36).

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 **2014**
R **R**

9.1 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

9.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10 INVESTMENT PROPERTY

At Cost less Accumulated Depreciation	25,584,000	25,584,000
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The movement in Investment Property is reconciled as follows:

Carrying values at 1 July	25,584,000	25,584,000
Cost	25,584,000	25,584,000
Accumulated Depreciation	-	-
Depreciation during the Year	-	-
Carrying values at 30 June	25,584,000	25,584,000
Cost	25,584,000	25,584,000
Accumulated Depreciation	-	-
Estimated Fair Value of Investment Property at 30 June	4,605,000	4,605,000

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

Refer to Appendix "B" for more detail on Investment Property.

10.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

10.2 Impairment of Investment Property

No impairment losses have been recognised on Investment Property of the municipality at the reporting date.

11 HERITAGE ASSETS

At Cost less Accumulated Impairment Losses	1,226,200	1,226,200
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All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Heritage Assets of the municipality.

Refer to Appendix "B" for more detail on Intangible Assets.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R

2014
R

11.1 Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

11.2 Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

12 LONG-TERM RECEIVABLES

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2015			
Housing Loans	57,703	34,113	23,589
	<u>57,703</u>	<u>34,113</u>	23,589
Less: Current Portion transferred to Current Receivables:-			2,482
Debtors Capitalised Loans			-
Housing Loans			2,482
Total Long-term Receivables			<u><u>21,107</u></u>
	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2014			
Housing Loans	62,306	32,298	30,008
	<u>62,306</u>	<u>32,298</u>	30,008
Less: Current Portion transferred to Current Receivables:-			6,418
Housing Loans			6,418
Total Long-term Receivables			<u><u>23,590</u></u>

HOUSING

As from 01 January 2006 no loan agreements are entered into for the sale of houses. The outstanding loans will be recovered over the remaining period of the individual loan agreements entered into.

The municipality does not hold deposits or any other security for its Long-term Receivables.

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

12.1 Ageing of Long-term Receivables

Current:

0 - 30 days

- -

Past Due:

31 - 60 Days

- -

61 - 90 Days

- -

91 - 120 Days

- -

+ 120 Days

57,703 62,306

Total

57,703 **62,306**

As at 30 June Long-term Receivables of R57,703 (2014: R62,306) were past due but not impaired. No terms for payment have been re-negotiated. The age analysis of these Long-term Receivables is as follows:

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
31 - 60 Days	-	-
61 - 90 Days	-	-
+ 90 Days	-	-
+ 120 Days	57,703	62,306
Total	57,703	62,306

12.2 Reconciliation of the Provision for Impairment

Balance at beginning of year	32,298	30,276
Impairment Losses recognised	1,815	2,022
Impairment Losses reversed	-	-
Amounts written off as uncollectable	-	-
Amounts recovered	-	-
Balance at end of year	34,113	32,298

13 CONSUMER DEPOSITS

Electricity and Water	646,825	601,415
Total Consumer Deposits	646,825	601,415
Guarantees held in lieu of Electricity and Water Deposits	1,775,596	1,775,596

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on Consumer Deposits held.

14 PROVISIONS

Current Portion of Post-retirement Medical Aid Benefits Liability (See Note 20)	322,668	329,029
Current Portion of Long-term Service Liability (See Note 20)	405,883	365,550
Current Portion of Ex Gratia Pension (See Note 20)	28,711	67,067
Total Provisions	757,262	761,646

	Ex-Gratia Pension R	Long-term Service R	Post-retirement R
30 June 2015			
Balance at beginning of year	67,067	365,550	329,029
Transfer from non-current	(38,356)	40,333	(6,361)
Balance at end of year	28,711	405,883	322,668

	Ex-Gratia Pension R	Long-term Service R	Post-retirement R
30 June 2014			
Balance at beginning of year	-	365,550	-
Transfer from non-current	67,067	-	329,029
Balance at end of year	67,067	365,550	329,029

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
15 PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade Creditors	20,333,237	12,398,756
Retentions	300,348	300,348
Other Creditors	599	897,699
Total Payables	<u>20,634,184</u>	<u>13,596,802</u>

The average credit period on purchases is 253 (2014: 141) days, as opposed to 30 days from the receipt of the invoice as determined by the MFMA.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with.

16 PAYABLES FROM NON-EXCHANGE TRANSACTIONS

Payments received in Advance	181,145	-
Staff Bonuses - 13th Cheque	992,950	992,950
Staff Leave Accrued	2,012,444	2,012,444
Sundry Deposits	3,300	-
Other Payables	5,749,937	6,245,027
Total Payables	<u>8,939,777</u>	<u>9,250,421</u>

Staff Bonuses accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

17 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

17.1 Conditional Grants from Government

	50,128	414,178
National Government Grants	-	414,178
Provincial Government Grants	50,128	-
Total Conditional Grants and Receipts	<u>50,128</u>	<u>414,178</u>

See Note 27 for the reconciliation of Grants from Government and Note 28 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Refer to Appendix "F" for more detail on Conditional Grants.

18 VAT PAYABLE

Vat Payable	<u>3,073,933</u>	<u>1,544,014</u>
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Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
19 LONG-TERM LIABILITIES		
Finance Lease Liabilities	1,512,512	2,082,859
Sub-total	<u>1,512,512</u>	<u>2,082,859</u>
Less: Current Portion transferred to Current Liabilities:-	421,476	570,347
Finance Lease Liabilities	<u>421,476</u>	<u>570,347</u>
Total Long-term Liabilities (Neither past due, nor impaired)	<u>1,091,036</u>	<u>1,512,512</u>

The DBSA Annuity Loan is repaid over a period of 10 years and at an interest rate of 5,00% (7,00% on Arrears) per annum. The Annuity Loan is not secured.

Finance Lease Liabilities relates to Office and IT Equipment with lease terms of 5 (2014: 5) years. The effective interest rate on Finance Leases is between 9% and 15.5%. Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.

The management of the municipality is of the opinion that the carrying value of Long-term Liabilities recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

19.1 Obligations under Finance Lease Liabilities

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5-7 years (2014: 5-7 years). The effective interest rate on Finance Leases is between 10.5% and Prime +1% (2014: 10.5% and Prime +1%).

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2015 R	2014 R	2015 R	2014 R
Amounts payable under finance leases:				
Within one year	549,532	751,632	418,671	566,422
In the second to fifth years, inclusive	1,250,895	1,800,427	1,084,324	1,502,994
Over five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	1,800,427	2,552,059	1,502,994	2,069,416
Less: Future Finance Obligations	(287,915)	(469,200)	(287,915)	(469,200)
Present Value of Minimum Lease Obligations	<u>2,088,342</u>	<u>3,021,260</u>	<u>1,790,909</u>	<u>2,538,617</u>
Less: Amounts due for settlement within 12 months (Current Portion)			421,476	570,347
Finance Lease Obligations due for settlement after 12 months (Non-current Portion)			<u>1,369,433</u>	<u>1,968,269</u>

The municipality has finance lease agreements for the following significant classes of assets:

- Office Equipment
- Vehicles

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Included in these classes are the following significant leases:		
	Gestetner	Nashua
(i) Office Equipment (Printers)	R 358,791	R 800,879
- Instalments are payable quarterly in advance	No	No
- Average period outstanding	60 months	60 months
- Average effective interest rate	10.50%	10.50%
- Average quarterly instalment	R 8,000.00	R 17,300.00
	315SJ 4X4 Backhoe Loader	CS533E XL Soil Compactor
(ii) Vehicles	R 532,887	R 719,534
- Instalments are payable monthly in arrears	Yes	No
- Average period outstanding	84 months	84 months
- Average effective interest rate, based on prime	Prime + 1%	Prime + 1%
- Average monthly instalment	R 10,314.53	R 13,800.63

The municipality did not default on any payment of its Long-term Liabilities. No terms for payment have been re-negotiated by the municipality.

20 EMPLOYEE BENEFIT LIABILITIES

Post-retirement Health Care Benefits Liability	7,316,295	6,761,467
Long Service Awards Liability	3,331,566	2,966,536
Ex Gratia Pension	1,002,908	936,198
Total Employee Benefit Liabilities	11,650,769	10,664,201

20.1 Post-retirement Health Care Benefits Liability

Balance at beginning of Year	7,090,496	6,207,023
Contributions to Provision	393,343	317,039
Increase due to Discounting	618,958	532,637
Expenditure incurred	(329,028)	(312,274)
Reduction due to Re-measurement	(134,806)	346,071
Balance at end of Year	7,638,963	7,090,496
Transfer to Current Provisions	(322,668)	(329,029)
Total Post-retirement Health Care Benefits Liability	7,316,295	6,761,467

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service Members (Employees)	35	34
In-service Non-members (Employees)	106	116
Continuation Members (Retirees, widowers and orphans)	10	11
Total Members	151	161

The liability in respect of past service has been estimated as follows:

In-service Members	3,289,000	2,718,254
In-service Non-members	1,430,000	1,394,325
Continuation Members	2,920,000	2,977,917
Total Liability	7,639,000	7,090,496

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Hosmed
- Keyhealth
- LA Health
- Samwumed

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R			
The Current-service Cost for the year ending 30 June 2015 is estimated to be R393,343, whereas the cost for the ensuing year is estimated to be R442 888 (30 June 2014: R317,039 and R393,343 respectively).					
The principal assumptions used for the purposes of the actuarial valuations were as follows:					
Discount Rate	8.99%	8.93%			
Health Care Cost Inflation Rate	8.05%	8.22%			
Net Effective Discount Rate	0.78%	0.66%			
Pre-retirement Mortality	SA85-90	SA85-90			
Post-retirement Mortality	PA(90)	PA(90)			
Expected Retirement Age - Females	60	60			
Expected Retirement Age - Males	65	65			
Movements in the present value of the Defined Benefit Obligation were as follows:					
Balance at the beginning of the year	7,090,496	6,207,023			
Current service costs	393,343	317,039			
Interest cost	618,958	532,637			
Benefits paid	(329,028)	(312,274)			
Actuarial losses / (gains)	(134,806)	346,071			
Total Recognised Benefit Liability	7,638,963	7,090,496			
The amounts recognised in the Statement of Financial Position are as follows:					
Present value of fund obligations	7,638,963	7,090,496			
Unfunded Accrued Liability	7,638,963	7,090,496			
Total Benefit Liability	7,638,963	7,090,496			
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost	393,343	317,039			
Interest cost	618,958	532,637			
Expenditure Incurred	(134,806)	346,071			
Actuarial losses / (gains)	(329,028)	(312,274)			
Total Post-retirement Benefit included in Employee Related Costs (Note 33)	548,467	883,473			
The history of experienced adjustments is as follows:					
	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	7,638,963	7,090,496	6,207,023	5,789,995	4,834,793
Deficit	7,638,963	7,090,496	6,207,023	5,789,995	4,834,793
Experienced adjustments on Plan Liabilities	548,467	883,473	417,028	955,202	4,834,793

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
	2015 R	2014 R
The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:		
Increase:		
Effect on the aggregate of the current service cost and the interest cost	1,197,200	1,001,000
Effect on the defined benefit obligation	8,870,000	8,139,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	863,900	727,900
Effect on the defined benefit obligation	6,634,000	6,232,000

The municipality expects to make a contribution of R348 637 (2014: R322 668) to the Defined Benefit Plans during the next financial year.

Refer to Note 51, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

20.2 Long Service Awards Liability

Balance at beginning of year	3,332,086	3,684,467
Contributions to provision	182,764	209,289
Increase due to discounting	253,962	252,062
Expenditure incurred	(365,550)	(524,280)
Reduction due to Re-measurement	334,187	(289,452)
Balance at end of Year	3,737,449	3,332,086
Transfer to Current Provisions	(405,883)	(365,550)
Total Long Service Awards Liability	3,331,566	2,966,536

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 65 (2014: 72) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2015 is estimated to be R182,764, whereas the cost for the ensuing year is estimated to be R196 141 (30 June 2014: R209,289 and R182,764 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	7.98%	8.06%
General Salary Inflation	6.91%	7.19%
Net Effective Discount Rate	1.00%	0.81%
Expected Return on Reimbursement Rights	SA85-90	SA85-90
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	65	65

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	3,332,086	3,684,467
Current service costs	182,764	209,289
Interest cost	253,962	252,062
Benefits paid	(365,550)	(524,280)
Actuarial losses / (gains)	334,187	(289,452)
Total Recognised Benefit Liability	3,737,449	3,332,086

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	3,737,449	3,332,086
Unfunded Accrued Liability	3,737,449	3,332,086
Total Benefit Liability	3,737,449	3,332,086

The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	182,764	209,289
Interest cost	253,962	252,062
Benefits Paid	(365,550)	(524,280)
Actuarial losses / (gains)	334,187	(289,452)
Total Post-retirement Benefit included in Employee Related Costs (Note 33)	405,363	(352,381)

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	3,737,449	3,332,086	3,684,467	3,371,205	3,187,097
Deficit	3,737,449	3,332,086	3,684,467	3,371,205	3,187,097

	2015 R	2014 R
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	466,700	494,500
Effect on the defined benefit obligation	3,973,000	3,543,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	409,600	431,400
Effect on the defined benefit obligation	3,522,000	3,140,000

The municipality expects to make a contribution of R451 532 (2014: R405 883) to the defined benefit plans during the next financial year.

20.3 Ex Gratia Pension

Balance at beginning of year	1,003,265	1,605,178
Contributions to provision	-	-
Increase due to discounting	82,658	125,305
Expenditure incurred	(67,078)	(595,801)
Reduction due to Re-measurement	12,774	(131,417)
Balance at end of Year	1,031,619	1,003,265
Transfer to Current Provisions	(28,711)	(67,067)
Total Ex Gratia Pension Liability	1,002,908	936,198

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2015 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 12 (: 14) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending is estimated to be R0, whereas the cost for the ensuing year is estimated to be R30 550 (: R0 and R0 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount Rate	8.54%	8.52%
General Salary Inflation	7.52%	7.32%
Net Effective Discount Rate	1.19%	1.12%
Expected Return on Reimbursement Rights	SA85-90	SA85-90
Expected Retirement Age - Females	60	60
Expected Retirement Age - Males	65	65

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1,003,265	1,605,178
Current service costs	-	-

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Interest cost	82,658	125,305
Benefits paid	(67,078)	(595,801)
Actuarial losses / (gains)	12,774	(131,417)
Total Recognised Benefit Liability	<u>1,031,619</u>	<u>1,003,265</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	1,031,619	1,003,265
Unfunded Accrued Liability	1,031,619	1,003,265
Total Benefit Liability	<u>1,031,619</u>	<u>1,003,265</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	82,658	125,305
Benefits Paid	(67,078)	(595,801)
Actuarial losses / (gains)	12,774	(131,417)
Total Post-retirement Benefit included in Employee Related Costs (Note)	<u>28,354</u>	<u>(601,913)</u>

The history of experienced adjustments is as follows:

	2015 R	2014 R	2013 R	2012 R	2011 R
Present Value of Defined Benefit Obligation	1,031,619	1,003,265	1,605,178	1,319,516	1,223,768
Deficit	<u>1,031,619</u>	<u>1,003,265</u>	<u>1,605,178</u>	<u>1,319,516</u>	<u>1,223,768</u>

The effect of a 1% movement in Benefit Increase Rate is as follows:

Increase:

Effect on the aggregate of the interest cost	91,686	132,862
Effect on the defined benefit obligation	1,134,353	1,109,302

Decrease:

Effect on the aggregate of the interest cost	74,589	118,561
Effect on the defined benefit obligation	938,995	908,488

The municipality expects to make a contribution of R30 550 (: R28 711) to the defined benefit plans during the next financial year.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
21 NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Land-fill Sites	5,662,820	5,377,889
Total Non-current Provisions	5,662,820	5,377,889

The movement in the Provision for Rehabilitation of Land-fill Sites is reconciled as follows:

Balance at beginning of year	5,377,889	4,028,170
Increase due to discounting	284,931	258,528
Reduction due to re-measurement	-	1,091,191
Balance at end of year	5,662,820	5,377,889

21.1 Rehabilitation of Land-fill Sites

Landfill sites were revalued in the current year by D.B. Grobler from DRC valuers. The reassessment of provision lead to an increase in the current year provision of R284,931.

In terms of the licencing of the landfill refuse sites, the municipality will incur licensing and rehabilitation costs of R5,662,820 (2014: R5,377,889) to restore the sites at the end of their useful lives. Provision has been made for the net present value of the future cost, using the average cost of borrowing interest rate.

The municipality will incur rehabilitation cost on its two dumping/landfill sites in the periods 2027/28 and 2032/33. Provision has been made for the net present value of this cost.

	Proposed Rehabilitation		
Prieska	2027/2028	2,274,554	2,159,807
Marydale	2032/2033	1,293,629	1,228,918
Niekershoop	2027/2028	2,094,638	1,989,164
		5,662,820	5,377,889

22 ACCUMULATED SURPLUS

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	428,230,711	434,882,346
Total Accumulated Surplus	428,230,711	434,882,346

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

23 PROPERTY RATES

	Property Valuations		Actual Levies	
	July 2015 R000's	July 2014 R000's		
Total Levies			8,189,829	8,042,597
Agricultural	2,276,623	1,030,122		
Commercial	74,105	46,775	-	-
Municipal	-	430,468	-	-
Residential	266,781	168,619	-	-
State	48,962	33,581	-	-
Less: Revenue Foregone			(229,579)	(345,786)
Total Property Rates	2,666,471	1,709,566	7,960,250	7,696,812

23.1 Calculation of Cash Flow:

Property Rates Income	7,960,250	7,696,812
Opening Balance of Debtors: Assessment Rates	12,459,156	10,620,972
Closing Balance of Debtors: Assessment Rates	(13,777,252)	(12,459,156)
Amounts written-off as uncollectable	-	-
Total Receipts for Property Rates	6,642,153	5,858,629

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2009. A general valuation has been performed during the financial year and will be applied with effect 1 July 2013.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 R	2014 R
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An general rate is applied as follows to property valuations to determine property rates:

Residential Properties: 1,883 c (: 2,317 c)
Commercial: 2,448 c (: 2,853 c)
Agricultural: 0,026 c (: 0,048 c)
State: 3,766 c (Siyathemba Municipality: 4,389 c)
Municipal: 0 c (SIYATHEMBA MUNICIPALITY: 0 c)

A rebate of R15,000.00 (: R15,000.00) was allowed on residential properties whilst a discount of 20% (: 20%) was granted on properties owned by the State and a discount of 30% (: 30%) on farms.

Rates are levied monthly on property owners and are payable the 15th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September. Interest is levied at a rate determined by council on outstanding rates amounts.

Rates are levied monthly on property owners and are payable the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts yearly with the budget process.

24 FINES

Court Fees	5,000	20,000
Dog Licenses	-	(486)
Other Fines	3,141	1,096
Traffic Fines	25,450	11,400
Total Fines	33,591	32,010

25 LICENCES AND PERMITS

Trade Licences	450	100
Other Licences and Permits	-	-
Total Licences and Permits	450	100

26 INCOME FROM AGENCY SERVICES

Motor Licences And Registration	1,082,184	1,055,429
Driver Licences	2,736	-
Vehicle Testing Fees	-	-
Total Income from Agency Services	1,084,920	1,055,429

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
27 GOVERNMENT GRANTS AND SUBSIDIES		
National Equitable Share	22,400,194	21,171,433
Operational Grants	22,400,194	21,171,433
Conditional Grants	16,627,710	25,961,491
National: EPWP	1,000,000	1,000,000
National: FMG	1,800,000	1,650,000
National: MIG	9,708,000	11,912,340
National: MSIG	934,000	890,000
National: DWA - Refurbishment Projects	1,214,820	3,562,807
National: Energy	500,000	1,985,822
National: Department of Public Works	-	2,500,000
Provincial: DPLG&H	630,018	1,239,634
Provincial: Department Sport and Agriculture	840,872	1,034,518
Provincial: Department Transport	-	186,369
Total Government Grants and Subsidies	39,027,905	47,132,924
27.1 Calculation of Cash Flow:		
Government Grants and Subsidies Income	39,027,905	47,132,924
Opening Balance of Unspent Government Grants	(414,178)	(1,042,978)
Closing Balance of Unspent Government Grants	50,128	414,178
Total Receipts for Government Grants and Subsidies	38,663,854	46,504,125
Operational Grants:		
27.2 National: Equitable Share	22,400,194	21,171,433
Conditional Grants:		
27.3 National: EPWP Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1,000,000	1,000,000
Conditions met - transferred to Revenue: Operating Expenses	(1,000,000)	(1,000,000)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-
The Expanded Public Works Programme Grant was allocated to the municipality for environmental and water infrastructure projects.		
27.4 National: FMG Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1,800,000	1,650,000
Conditions met - transferred to Revenue: Operating Expenses	(1,800,000)	(1,650,000)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
27.5 National: MIG Funds		
Balance unspent at beginning of year	-	112,340
Current year receipts	9,708,000	11,800,000
Conditions met - transferred to Revenue: Capital Expenses	(9,708,000)	(11,912,340)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-
The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure.		

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
27.6 National: MSIG Funds		
Balance unspent at beginning of year	-	-
Current year receipts	934,000	890,000
Conditions met - transferred to Revenue: Operating Expenses	(934,000)	(890,000)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

27.7 National: Department Water Affairs (DWA)

Balance unspent at beginning of year	-	(1,837,250)
Current year receipts	1,214,820	5,400,057
Conditions met - transferred to Revenue: Capital Expenses	(1,214,820)	(3,562,807)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

This grant was used for the refurbishment of water schemes transferred from DWA to the municipality. No funds have been withheld.

27.8 National: Department Energy

Balance unspent at beginning of year	414,178	-
Current year receipts	500,000	2,400,000
Conditions met - transferred to Revenue: Capital Expenses	(500,000)	(1,985,822)
Other Adjustments/Refunds	(414,178)	-
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>414,178</u>

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

27.9 National: Department of Public Works

Balance unspent at beginning of year	-	2,500,000
Current year receipts	-	-
Conditions met - transferred to Revenue: Operating Expenses	-	(2,436,160)
Conditions met - transferred to Revenue: Capital Expenses	-	(63,840)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

This grant was received for the maintenance upgrades required on the community centres owned by the Municipality.

27.10 Provincial: Department Provincial Local Government and Housing (DPLG&H)

Balance unspent at beginning of year	-	-
Current year receipts	630,018	1,239,634
Conditions met - transferred to Revenue: Capital Expenses	(630,018)	(1,239,634)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>-</u>	<u>-</u>

This grant was allocated for the funding of various projects e.g. LED Strategy, IDP, PMS, PMS, etc to assist in the improvement of the performance of the municipality. No funds have been withheld.

27.11 Provincial: Department Sport and Culture

Balance unspent at beginning of year	-	81,518
Current year receipts	891,000	953,000
Conditions met - transferred to Revenue: Operating Expenses	(840,872)	(1,034,518)
Conditions still to be met - transferred to Liabilities (see Note 15)	<u>50,128</u>	<u>-</u>

This grant was received for the building and maintenance of libraries in the district. No funds have been withheld.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
27.12 Provincial: Department Transport		
Balance unspent at beginning of year	-	186,369
Conditions met - transferred to Revenue: Operating Expenses	-	(186,369)
Conditions still to be met - transferred to Liabilities (see Note 15)	-	-
	<u>-</u>	<u>-</u>

The Transport Grant was allocated for the maintenance of proclaimed roads in the jurisdiction area of the municipality. No funds have been withheld.

27.13 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2015), government grant funding is expected to increase over the forthcoming three financial years.

28 PUBLIC CONTRIBUTIONS AND DONATIONS

Other Donations	439	14,912
Total Public Contributions and Donations	<u>439</u>	<u>14,912</u>

28.1 Calculation of Cash Flow:

Public Contributions and Donations Income	439	14,912
Total Receipts for Public Contributions and Donations	<u>439</u>	<u>14,912</u>

29 SERVICE CHARGES

Sale of Electricity	13,828,227	12,229,281
Sale of Water	9,110,503	8,455,763
Refuse Removal	1,245,241	1,176,593
Sewerage and Sanitation Charges	3,226,001	3,065,501
Other Service Charges	-	-
Total Service Charges	<u>27,409,972</u>	<u>24,927,138</u>

29.1 Calculation of Cash Flow:

Service Charges Income	27,409,972	24,927,138
Opening Balance of Debtors: Service Charges	33,714,597	27,291,015
Closing Balance of Debtors: Service Charges	(40,062,364)	(33,714,597)
Amounts written-off as uncollectable	(417,614)	(750,627)
Amounts written-off as uncollectable, recovered	-	-
Total Receipts for Service Charges	<u>20,644,592</u>	<u>17,752,929</u>

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

30 RENTAL OF FACILITIES AND EQUIPMENT

Rental Revenue from Other Facilities	782,172	730,173
Total Rental of Facilities and Equipment	<u>782,172</u>	<u>730,173</u>

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
31 INTEREST EARNED		
External Investments:		
Bank Account	104,364	98,482
	<u>104,364</u>	<u>98,482</u>
Outstanding Debtors:		
Finance Leases	(5,261)	8,710
Outstanding Billing Debtors	1,212,079	632,446
	<u>1,206,818</u>	<u>641,156</u>
Total Interest Earned	<u>1,311,182</u>	<u>739,638</u>
31.1 Calculation of Cash Flow:		
External Interest Income	104,364	98,482
Total Receipts for Interest Received	<u>104,364</u>	<u>98,482</u>
Interest Earned on Financial Assets, analysed by category of asset, is as follows:		
Available-for-Sale Financial Assets	104,364	98,482
Held-to-Maturity Investments	-	-
Loans and Receivables	1,206,818	641,156
	<u>1,311,182</u>	<u>739,638</u>

32 OTHER REVENUE

Administration Fees	ADMINISTRATION FEES	48,439	43,765
Building Plan Fees	BUILDING PLAN FEES	22,098	27,968
Charges For Installation	CHARGES FOR INSTALLATION	92,934	150,449
Charges For Re-Installation	CHARGES FOR RE-INSTALLATION	-	-
Gardenrefuse And Garbage	GARDENREFUSE AND GARBAGE	81,306	56,009
Internal Recoveries	INTERNAL RECOVERIES	1,239,114	-
Other Revenue	OTHER REVENUE	475,719	803,017
Sale Of Sand	SALE OF SAND	371	1,116
Seta Income	SETA INCOME	47,948	58,169
Tombfees	TOMBFEES	33,492	36,806
Valuation Certificate	VALUATION CERTIFICATE	47,786	33,756
Total Other Revenue		<u>2,089,207</u>	<u>1,211,055</u>

32.1 Calculation of Cash Flow:

Income from Other Revenue	Note 32	2,089,207	1,211,055
Income from Interest on Outstanding Debtors	Note 31	1,206,818	641,156
Income from Interest and Penalties on Property Rates	Note 31	-	-
Income from Rental of Facilities and Equipment	Note 30	782,172	730,173
Income from Agency Services	Note 26	1,084,920	1,055,429
Income from Licences and Permits	Note 25	450	100
Income from Fines	Note 24	33,591	32,010
Opening Balance of Debtors: Non-exchange Transactions	Note 4	14,516,009	12,669,605
Opening Balance of Debtors: Assessment Rates	Note 4	(12,459,156)	(10,620,972)
Closing Balance of Debtors: Non-exchange Transactions	Note 4	(15,924,361)	(14,516,009)
Closing Balance of Debtors: Assessment Rates	Note 4	13,777,252	12,459,156
Opening Balance of VAT Receivable	Note N/A	-	348,289
Opening Balance of Operating Lease Receivables	Note 6	21,764	18,060
Closing Balance of Operating Lease Receivables	Note 6	(21,764)	(21,764)
Opening Balance of Current Portion of Long-term Receivables	Note 7	6,418	16,987
Closing Balance of Current Portion of Long-term Receivables	Note 7	(2,482)	(6,418)
Opening Balance of Consumer Deposits	Note 13	(601,415)	(548,301)
Closing Balance of Consumer Deposits	Note 13	646,825	601,415
Total Receipts for Other Revenue		<u>5,156,248</u>	<u>4,069,969</u>

The amounts disclosed above for Other Revenue are in respect of services, other than described in Notes 23 to 31, rendered which are billed to or paid for by the users as the services are required according to approved tariffs.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
33 EMPLOYEE RELATED COSTS		
Employee Related Costs - Salaries and Wages	22,299,870	21,366,127
Employee Related Costs - Contributions for UIF, Pensions and Medical Aids	4,889,468	4,365,316
Travel, Motor Car, Accommodation, Subsistence and Other Allowances	2,161,284	1,943,521
Housing Benefits and Allowances	53,650	62,560
Overtime Payments	1,309,558	1,399,882
Performance Bonuses	-	-
Defined Benefit Plan Expense:	982,224	1,361,794
Current Service Cost	576,147	526,588
Interest Cost	955,578	910,004
Net Actuarial (gains)/losses recognised	(549,501)	(74,798)
Total Employee Related Costs	31,696,053	30,499,201

33.1 Calculation of Cash Flow:

Employee Related Costs Expenditure	31,696,053	30,499,201
Opening Balance of Employee Benefit Liabilities	10,664,201	11,080,752
Closing Balance of Employee Benefit Liabilities	(11,650,769)	(10,664,201)
Opening Balance of Provision for Performance Bonuses	-	-
Closing Balance of Provision for Performance Bonuses	-	-
Opening Balance of Provision for Long-term Service	365,550	365,550
Closing Balance of Provision for Long-term Service	(405,883)	(365,550)
Opening Balance of Post-retirement Benefits	329,029	-
Closing Balance of Post-retirement Benefits	(322,668)	(329,029)
Total Payments for Employee Related Costs	30,675,513	30,586,723

No advances were made to employees. Loans to employees are set out in Note 12.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager: - JRM Alexander	2015	2014
Annual Remuneration	657,498	574,202
Car and Other Allowances	112,107	129,518
Company Contributions to UIF, Medical and Pension Funds	143,170	239,434
Total	912,775	943,154

Remuneration of the Chief Financial Officer

Acting Allowance (S Hassen)	138,633	
Acting Allowance (H Meiring)	199,241	
Annual Remuneration		
Car and Other Allowances		
Company Contributions to UIF, Medical and Pension Funds		
Bonus		
Total	337,874	-

This post was vacant and acting allowances was paid to H Meiring and S Hassen.

Remuneration of the Technical Services Manager : J Badenhorst

Annual Remuneration	498,394	
Car and Other Allowances	113,184	
Bonus	-	
Company Contributions to UIF, Medical and Pension Funds	108,940	
Total	720,518	-

34 REMUNERATION OF COUNCILLORS

Councillors	2,063,826	1,681,459
Company Contributions to UIF, Medical and Pension Funds	-	6,101
Other Allowances (Cellular Phones, Housing, Transport, etc)	392,723	333,112
Total Councillors' Remuneration	2,456,549	2,020,672

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
35 COLLECTION COSTS		
Legal Costs	370,867	36,045
Total Collection Costs	370,867	36,045
36 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	16,044,997	2,659,052
Amortisation: Intangible Assets	6,798	6,639
Depreciation: Investment Property	-	-
Total Depreciation and Amortisation	16,051,795	2,665,691
	0.01	(14,288,041.87)
37 IMPAIRMENT LOSSES		
37.1 Impairment Losses on Fixed Assets		
Impairment Losses Recognised:	-	204,721
Property, Plant and Equipment	-	204,721
	-	204,721
37.2 Impairment Losses on Financial Assets		
Impairment Losses Recognised:	6,544,289	5,359,105
Receivables from Exchange Transactions	5,393,648	5,335,028
Receivables from Non-exchange Transactions	1,148,826	22,055
	6,544,289	5,359,105
Total Impairment Losses	6,544,289	5,563,827
	0.00	(1,056,120.49)
38 REPAIRS AND MAINTENANCE		
Land and Buildings	-	453,046
Other Assets	2,308,769	3,911,818
Total Repairs and Maintenance	2,308,769	4,364,864
39 FINANCE COSTS		
Bank Overdraft	-	14,522
Creditors Overdue	36,804	168,376
Finance Leases	181,285	51,744
Landfill Provision	284,931	258,546
Loans and Payables at amortised cost	-	176,597
Total Interest Paid on External Borrowings	503,021	669,785
39.1 Calculation of Cash Flow:		
Finance Cost Expenditure	503,021	669,785
Total Payments for Finance Costs	503,021	669,785

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
40 BULK PURCHASES		
Electricity	14,549,826	13,089,014
Water	72,821	368,478
Total Bulk Purchases	14,622,647	13,457,492

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst Water is purchased from the Department of Water Affairs.

41 CONTRACTED SERVICES

Insurance	788,383	687,562
Legal Cost & Advice	63,665	515,225
Professional Fees	1,325,890	3,732,906
Rental: Gestetner Copiers	770,056	857,492
Councillor Cellphone Contracts	198,247	66,320
Sms Line	-	2,236
Total Contracted Services	3,146,241	5,861,742

41.1 Calculation of Cash Flow:

Expenditure for Contracted Services	Note 41	3,146,241	5,861,742
Expenditure for Bulk Purchases	Note 40	14,622,647	13,457,492
Expenditure for Repairs and Maintenance	Note 38	2,308,769	4,364,864
Opening Balance of Payables: Exchange Transactions	Note 15	13,596,802	11,703,596
Closing Balance of Payables: Exchange Transactions	Note 15	(20,634,184)	(13,596,802)
Opening Balance of VAT Payable	Note 18	1,544,014	-
Closing Balance of VAT Payable	Note 18	(3,073,933)	(1,544,014)
Opening Balance of Inventories	Note 2	(479,434)	(610,455)
Closing Balance of Inventories	Note 2	575,495	479,434
Total for Suppliers Paid		11,606,417	20,115,857

42 GRANTS AND SUBSIDIES PAID

Free Basic Services	36,277	44,327
Other Grants and Subsidies Paid	19,910	26,278
Total Grants and Subsidies	56,187	70,605

Free Basic Services are in respect of assistance to and providing basic service levels to indigent households.

Other Grants and Subsidies mostly relate to the EPWP Beautification of the Town, and Dedea Greenest Town Awards.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
43 GENERAL EXPENSES		
Included in General Expenses are the following:		
Administration Costs	684	600
Adverts, Copies & Stationary	268,660	323,629
Affiliation Fees	196,316	500,000
Alarm	85,934	24,332
Audit Fees	1,761,786	1,676,184
Bank Charges	180,889	182,570
Compensation Commissioner	-	3,600
Contribution Comm/Awareness	8,381	126,923
Deligation And Travelling Co	498,487	559,026
Employee Assistance Programm	-	5,250
Informational Technology	532,295	603,645
Laboratory Testing	112,999	44,774
Medical Check Ups	24,840	3,673
Planning And Surveyors Costs	-	14,000
Sanitation And Sewerage	9,712	8,838
Staff Training Programmes	23,514	217,886
Sundry Expenses	2,997,600	2,907,435
Uniform And Overalls	187,704	16,643
Vehicle: Fuel & Oil	832,191	844,858
Water Losses	122,507	-
Ward Committee Expenditure	178,800	145,690
Inter-Departmental Transfers	1,218,466	165,359
Total General Expenses	9,241,766	8,374,914

43.1 Calculation of Cash Flow:

Expenditure for General Expenses	Note 43	9,241,766	8,374,914
Expenditure for Grants and Subsidies Paid	Note 42	56,187	70,605
Expenditure for Collection Costs	Note 35	370,867	36,045
Opening Balance of Payables: Non-exchange Transactions	Note 16	9,250,421	6,783,776
Closing Balance of Payables: Non-exchange Transactions	Note 16	(8,939,777)	(9,250,421)
Opening Balance of Non-current Provisions	Note 21	5,377,889	4,028,170
Closing Balance of Non-current Provisions	Note 21	(5,662,820)	(5,377,889)
Correction of Prior Year Errors		(780,890)	-
Appropriations to/from Internal Reserves		-	-
Total for Other Payments		8,980,710	4,598,132
		(105,717.94)	(1,139,535.76)

The amounts disclosed above for Other General Expenses are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense. Inter-departmental Charges are charged to other trading and economic services for support services rendered.

No other extra-ordinary expenses were incurred.

44 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

No Assets have been disposed in the current or prior year.

45 CASH GENERATED BY OPERATIONS

Surplus / (Deficit) for the Year	(7,298,096)	(5,396,378)
Adjustment for:		
Correction of Prior Year Errors	780,890	-
Appropriations to/from Internal Reserves	-	-
Depreciation and Amortisation	16,051,795	16,953,733
Impairment Losses on Property, Plant and Equipment	-	204,721
Losses / (Gains) on Disposal of Property, Plant and Equipment	-	7,571
Profit on Sale of Land	-	-
Property, Plant and Equipment transferred to Assets Held-for-Sale	-	-
Other Movement on Property, Plant and Equipment	-	-
Contribution to Post-retirement Health Care Benefits	548,467	883,473
Expenditure incurred from Post-retirement Health Care Benefits	-	-
Contribution to Long Service Awards Liability	405,363	(352,381)
Expenditure incurred from Long Service Awards Liability	-	-
Contribution to Provisions - Current	-	-
Contribution to Provisions - Non-current	-	-
Contribution to Impairment Provision	6,544,289	6,417,247
Bad Debts Recovered	-	-
Bad Debts Written-off	(417,614)	(750,627)
Operating surplus before working capital changes	16,615,093	17,967,360

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
Decrease/(Increase) in Inventories	(96,061)	131,020
Decrease/(Increase) in Non-Current Assets Held-for-Sale	-	-
Decrease/(Increase) in Receivables from Exchange Transactions	(6,347,767)	(6,423,582)
Decrease/(Increase) in Receivables from Non-exchange Transactions	(1,408,352)	(1,846,404)
Decrease/(Increase) in VAT Receivable	-	348,289
Miscellaneous Non-Cash Movements	-	-
Decrease/(Increase) in Operating Lease Assets	-	(3,704)
Decrease/(Increase) in Current Portion of Long-term Receivables	3,936	10,568
Increase/(Decrease) in Consumer Deposits	45,410	53,114
Increase/(Decrease) in Payables from Exchange Transactions	7,037,382	1,893,207
Increase/(Decrease) in Payables from Non-exchange Transactions	(310,644)	2,466,645
Increase/(Decrease) in Conditional Grants and Receipts	(364,050)	(628,799)
Increase/(Decrease) in VAT Payable	1,529,919	1,544,014
Cash generated by / (utilised in) Operations	16,704,866	15,511,727

46 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities (See Note 19)	1,512,512	2,082,859
Used to finance Property, Plant and Equipment - at cost	(1,512,512)	(2,082,859)
Sub-total	-	-

Long-term Liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash is available to ensure that Long-term Liabilities can be repaid on the scheduled redemption dates.

47 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

47.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	87,204,179	73,350,629
Unauthorised Expenditure current year	25,380,356	13,853,550
Approved by Council or condoned	-	-
To be recovered – contingent asset (see Note 60)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Unauthorised Expenditure awaiting authorisation	112,584,536	87,204,179

47.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	11,326,080	5,802,227
Fruitless and Wasteful Expenditure current year	36,804	5,523,853
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 60)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Fruitless and Wasteful Expenditure awaiting condonement	11,362,884	11,326,080

47.3 Irregular Expenditure

Reconciliation of Irregular Expenditure:		
Opening balance	71,594,701	49,072,045
Irregular Expenditure current year	2,866,735	22,522,656
Condoned or written off by Council	-	-
To be recovered – contingent asset (see Note 60)	-	-
Transfer to receivables for recovery (see Note 5)	-	-
Irregular Expenditure awaiting condonement	74,461,436	71,594,701

For the year ending 30 June 2015

Incident	Amount	Disciplinary Steps / Criminal Proceedings
Various expenditure contrary to SCM processes.	2,866,735.38	No steps taken

For the year ending 30 June 2014

Incident	Disciplinary Steps / Criminal Proceedings
Irregular awards made to H. Jas, Housing Loan Dispute - R0 (: R61,820)	Dismissed.
Irregular contribution to E. Martin travel allowance- R11,338 (: R0)	Under Investigation. To be submitted to Council for condonement.
Irregular salary payment to MH Thobejane - R0 (: R88,622)	Dismissed. Claim for losses.
Irregular awards made to various contractors as per working papers - R11,998,532 (: R13,864,215)	Under Investigation. To be submitted to Council for condonement.
Expenditure contrary to SCM Processes as described in Note 47.8 - R10,512,786 (: R6,177,792)	A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R	
48 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
48.1 Contributions to organised local government - SALGA			
Opening Balance	796,316	396,316	
Council Subscriptions	510,000	500,000	
Amount Paid - current year	(196,316)	(100,000)	
Amount Paid - previous years	-	-	
Balance Unpaid (included in Creditors)	1,110,000	796,316	
48.2 Audit Fees			
Opening Balance	3,000,899	3,150,697	
Current year Audit Fee	2,058,857	2,085,363	
Interest on outstanding balance	302,174	151,790	
Amount Paid - current year	(1,563,887)	(2,386,951)	
Amount Paid - previous years			
Balance Unpaid (included in Creditors)	3,798,043	3,000,899	
48.3 VAT			
The net of VAT input payables and VAT output receivables are shown in Note N/A.			
48.4 PAYE, Skills Development Levy and UIF			
Opening Balance	253,630	256,528	
Current year Payroll Deductions	3,768,015	3,481,000	
Amount Paid - current year	(3,456,790)	(3,227,370)	
Amount Paid - previous years	(253,630)	(256,528)	
Balance Unpaid (included in Creditors)	311,225	253,630	
48.5 Pension and Medical Aid Deductions			
Opening Balance	533,621	511,216	
Current year Payroll Deductions and Council Contributions	6,686,969	6,416,161	
Amount Paid - current year	(6,128,404)	(5,882,540)	
Amount Paid - previous years	(533,621)	(511,216)	
Balance Unpaid (included in Creditors)	558,565	533,621	
48.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at:			
30 June 2015	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Titus BA	2,324	1,005	1,319
Total Councillor Arrear Consumer Accounts	2,324	1,005	1,319
30 June 2014	Total	Outstanding up to 90 days	Outstanding more than 90 days
Councillor Titus BA	6,019	3,330	2,688
Total Councillor Arrear Consumer Accounts	6,019	3,330	2,688
48.7 Non-Compliance with the Municipal Finance Management Act			
The municipality incurred non-compliance to the following section of the indicated chapters of the MFMA during the year under review:			
Description	Chapter	Section	Sub-section
Supply chain management policy to comply with prescribed framework	11	112	
48.8 Deviation from, and ratification of minor breaches of, the Procurement Processes			
In terms of section 36(2) of the Municipal Supply Chain Management Regulations approved by the council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.			
The following deviations from the tender stipulations in terms of the municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:			

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015
R **2014**
R

For the year ending 30 June 2015

Department	Date	Successful Tenderer	Reason	Amount
Various Departments	Year 2014/15	Various occasions (4)	Various reasons like preferred supplier & venue, urgency, etc	95 312.95
4 Occasions during the financial year procuring various services amounting to R95 312.95				

For the year ending 30 June 2014

Department	Date	Successful Tenderer	Reason	Amount
Various Departments	Year 2013/14	Various occasions (22)	Various reasons like preferred supplier & venue, urgency, etc	-
18 Occasions during the financial year procuring various services amounting to R10512785.85				

48.9 Bulk Electricity and water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2015	Unaccounted Electricity Losses	<u>3,489,651</u>	<u>0.9693</u>	<u>3,382,373</u>
30 June 2014	Unaccounted Electricity Losses	<u>3,689,786</u>	<u>0.9481</u>	<u>3,498,287</u>

Electricity Losses occur due to *inter alia*, technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2015 R
Volumes in kWh/year:	
System Input Volume	14,251,881
Billed Consumption	10,762,230
Distribution Loss	3,489,651
Percentage Distribution Loss	24.49%

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49 COMMITMENTS FOR EXPENDITURE

49.1 Capital Commitments

Commitments in respect of Capital Expenditure:

- Approved and Contracted for:-

Infrastructure

5,022,327	4,474,154
<u>5,022,327</u>	<u>4,474,154</u>
5,022,327	4,474,154

Total Capital Commitments

This expenditure will be financed from:

Government Grants

5,022,327	4,474,154
<u>5,022,327</u>	<u>4,474,154</u>

49.2 Lease Commitments

Finance Lease Liabilities are disclosed in Note 19.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
50 FINANCIAL INSTRUMENTS			
50.1 Classification			
FINANCIAL ASSETS:			
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:			
<u>Financial Assets</u>	<u>Classification</u>		
Receivables from Exchange Transactions			
Electricity	Amortised cost	276,310	541,600
Refuse	Amortised cost	384,538	244,692
Other Receivables	Amortised cost	1,565,949	1,438,306
Receivables from Non-exchange Transactions			
Assessment Rates Debtors	Amortised cost	2,398,733	2,229,462
Short-term Loans	Amortised cost	26,389	1,948,646
Sundry Deposits	Amortised cost	2,038,901	1,907,099
Sundry Debtors	Amortised cost	1,915,436	41,546
Cash and Cash Equivalents			
Call Deposits	Amortised cost	(43,133)	1,004,816
Bank Balances	Amortised cost	2,952,557	-
Cash Floats and Advances	Fair value	800	800
SUMMARY OF FINANCIAL ASSETS			
Financial Assets at Amortised Cost:			
Receivables from Exchange Transactions	Electricity	276,310	541,600
Receivables from Exchange Transactions	Refuse	384,538	244,692
Receivables from Exchange Transactions	Sewerage	1,365,571	961,478
Receivables from Exchange Transactions	Water	2,298,033	1,332,592
Receivables from Exchange Transactions	Other Debtors	1,565,949	1,438,306
Receivables from Non-exchange Transactions	Assessment Rates Debtors	2,398,733	2,229,462
Receivables from Non-exchange Transactions	Short-term Loans	26,389	1,948,646
Receivables from Non-exchange Transactions	Sundry Deposits	2,038,901	1,907,099
Receivables from Non-exchange Transactions	Sundry Debtors	1,915,436	41,546
Cash and Cash Equivalents	Call Deposits	(43,133)	1,004,816
Cash and Cash Equivalents	Notice Deposits	-	-
Cash and Cash Equivalents	Bank Balances	2,952,557	-
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	800	800
		<u>800</u>	<u>800</u>

FINANCIAL LIABILITIES:

In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

<u>Financial Liabilities</u>	<u>Classification</u>		
Long-term Liabilities			
Annuity Loans	Amortised cost	-	-
Finance Lease Liabilities	Amortised cost	1,091,036	1,512,512
Payables from Exchange Transactions			
Trade Creditors	Amortised cost	20,333,237	12,398,756
Retentions	Amortised cost	300,348	300,348
Other Creditors	Amortised cost	599	897,699
Payables from Non-exchange Transactions			
Staff Bonuses	Amortised cost	992,950	992,950
Staff Leave Accrued	Amortised cost	2,012,444	2,012,444
Staff Salaries	Amortised cost	5,749,937	6,245,027
Sundry Deposits	Amortised cost	5,749,937	6,245,027
Current Portion of Long-term Liabilities			
Annuity Loans	Amortised cost	-	-
Finance Lease Liabilities	Amortised cost	421,476	570,347

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

		2015 R	2014 R
SUMMARY OF FINANCIAL LIABILITIES			
Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Annuity Loans	-	-
Long-term Liabilities	Finance Lease Liabilities	1,091,036	1,512,512
Payables from Exchange Transactions	Trade Creditors	20,333,237	12,398,756
Payables from Exchange Transactions	Retentions	300,348	300,348
Payables from Exchange Transactions	Other Creditors	599	897,699
Payables from Non-exchange Transactions	Staff Bonuses	992,950	992,950
Payables from Non-exchange Transactions	Staff Leave Accrued	2,012,444	2,012,444
Payables from Non-exchange Transactions	Staff Salaries	5,749,937	6,245,027
Payables from Non-exchange Transactions	Sundry Deposits	5,749,937	6,245,027
Current Portion of Long-term Liabilities	Annuity Loans	-	-
Current Portion of Long-term Liabilities	Finance Lease Liabilities	421,476	570,347
		<u>36,651,965</u>	<u>32,784,917</u>
Total Financial Liabilities		<u>36,651,965</u>	<u>32,784,917</u>

50.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2015, as a result of the short-term maturity of these assets and liabilities.

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used when determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015			2014
	R			R
30 June 2015				
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	800	-	800
Total Financial Assets	-	800	-	800
Total Financial Instruments	-	800	-	800
30 June 2014				
	Level 1	Level 2	Level 3	Total
	R	R	R	R
FINANCIAL ASSETS				
Financial Instruments at Fair Value:				
Cash and Cash Equivalents	-	800	-	800
Total Financial Assets	-	800	-	800
Total Financial Instruments	-	800	-	800

50.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 22 and the Statement of Changes in Net Assets.

Gearing Ratio

	2015	2014
	R	R
The gearing ratio at the year-end was as follows:		
Debt	1,512,512	3,692,667
Cash and Cash Equivalents	42,333	(1,005,616)
Net Debt	1,554,845	2,687,052
Equity	428,230,711	434,882,346
Net debt to equity ratio	0.36%	0.62%

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

50.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

50.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities.

Liquidity Risk

Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 56.8 to the Annual Financial Statements.

50.6 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

50.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

50.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money investment operations by only dealing with Absa Bank, First National Bank, Nedbank or Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

The municipality is not exposed to credit interest rate risk as the municipality has no borrowings.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

50.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank or Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

	%	%
Consumer Debtors:		
- Household	90.49%	87.23%
- Industrial / Commercial	3.37%	4.93%
- National and Provincial Government	3.28%	3.99%
Other Debtors:		
- Other not Classified	7.37%	8.30%
Total Credit Risk	104.62%	104.56%

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

51 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.

All councillors belong to the Pension Fund for Municipal Councillors.

Employees belong to a variety of approved Pension and Provident Funds as described below.

These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-

- (i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- (ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- (iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.

The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013. The scheme both operates a Defined benefit and Defined contribution scheme.

The statutory valuation performed as at 30 June 2013 revealed that the fund had a deficit of R 10 million (30 June 2012: R 18 million), with a funding level of 99,7% (30 June 2012: 99,4%). The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 30 June 2013.

The statutory valuation performed as at 30 June 2013 revealed that the assets of the fund amounted to R 31,425 million (30 June 2012: (R 7,980)) million, with funding levels of 100,2% and 100,0% (30 June 2012: 99,9% and 100%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

Lekana Pension Fund (Previously SAMWU National Provident Fund)

The valuation performed as at 30 June 2008 revealed that the assets of the fund amounted to R 2,455,947 million (30 June 2005: R 1,511,461 million) with funding levels of 100% (30 June 2005: 100%). The contribution rate paid by the members (7,5%) and the municipalities (18%) is sufficient to fund the benefits accruing from the fund in the future. The fund is certified to be financially sound as at 30 June 2008.

SALA Pension Fund:

The scheme is subject to an annual actuarial valuation. The last statutory valuation was performed as at 1 July 2013.

The statutory valuation performed as at 1 July 2013 revealed that the assets of the fund amounted to R10 439.2 (1 July 2012: R 8 753.4) million, with funding levels of 100% (1 July 2012: 100%). The contribution rate paid by the members (8,6%) and Council (20,78%) is sufficient to fund the benefits accruing from the fund in the future.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015 **2014**
R **R**

52 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

52.1 Interest of Related Parties

Councillors and/or management of the municipality had relationships with businesses during the financial period as indicated below:

Name of Related Person	Designation	Description of Related Party Relationship
JRM. Alexander	Municipal Manager	Director of Emthanjeni Fertilizer and Garden Service and Lezmin 2649.
P. Papier	Speaker	Director of Oline Trading, For You Financial and Funeral Services, Greenville
GP. Mackay	Councillor	Director of Fullimput 1279.
J. Molepe	Councillor	Director of Multiminds 123.
G. Macdonald	Councillor	Owner of 29A Bezuidenhout Street
J. Bason	Manager	Director of and 50% Interest in Motangtang Electrical
FV. Louw	Manager	Owner and 100% Interest in Kheina Catering Services CC

52.2 Services rendered to Related Parties

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public. No Bad Debts were written off or in respect of amounts owed by Related Parties.

The amounts outstanding are unsecured and will be settled in cash. Consumer Deposits were received from Councillors, the Municipal Manager and Section 57 Personnel. No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

52.3 Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 33, 34 and Appendix G, Statement of Remuneration of Management, to the Annual Financial Statements.

53 CONTINGENT LIABILITIES

53.1 Court Proceedings:

	-	<u><u>300,000</u></u>
(i) Creative Harvest (Pty) Ltd: A dispute arose between Siyathemba Municipality and Creative Harvest in which Creative Harvest is suing Siyathemba Municipality for not paying invoices for work that they claimed they performed. Du Toit Attorneys are of the opinion that the Municipality will only incur legal fees if a summons is issued by Creative Harvest.		150,000
(ii) SADC Advertising: A dispute arose between Siyathemba Municipality and SADC Advertising in which SADC Advertising suing Siyathemba Municipality for not paying for services rendered to the Municipality. The Municipality is of the opinion that the services rendered was not what they agreed upon and will therefore not pay the amount.	-	-
(iii) Review Application of CCMA Award A claim against the municipality was received from Mr. J Van Staden and two others to permanently employee them. The case has been won by the parties but the municipality is currently reviewing the case with the assistance of Du Toit Attorneys to be laid before the CCMA.		150,000

54 CONTINGENT ASSETS

The municipality was not engaged in any transaction or event during the year under review involving Contingent Assets.

SIYATHEMBA MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

2015	2014
R	R

55 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

56 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

57 EVENTS AFTER THE REPORTING DATE

No events having financial implications requiring disclosure occurred subsequent to 30 June 2015.

58 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of Prior Period Errors (Note N/A).

59 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 28 May 2013 the Council adopted the 2013/14 to 2015/16 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

APPENDIX A
SIYATHEMBA MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2014	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2015
	R				R	R	R	R
CAPITAL LEASE LIABILITIES								
315SJ 4X4 Loader	614,847	10%	Acc 82003555		458,192	-	81,123	377,069
CS533E XL Compactor	794,466	10%	Acc 82003806		592,516	-	104,325	488,192
Nissan 12 4X2N	828,000	10%	Acc 82306558		652,649	-	105,288	547,361
Printers - Nashua 1	300,364	10.50%	Nashua 1		96,001	-	70,732	25,269
Printers - Nashua 2	290,978	10.50%	Nashua 2		93,000	-	68,521	24,479
Printers - Nashua 3	246,393	10.50%	Nashua 3		70,500	-	51,944	18,557
Printers - Gestetner (Fintech)	375,455	10.50%	Gestetner (Fintech)		120,001	-	88,415	31,586
Total Capital Lease Liabilities	3,450,503				2,082,859	-	570,347	1,512,512
TOTAL EXTERNAL LOANS	3,450,503				2,082,859	-	570,347	1,512,512

Finance Lease:

Structured unsecured 10 year Finance Lease with Multitech for 17 copiers and printers. Original loan capital of R7 082 205 is repayable monthly in fixed instalments of capital and fixed rate interest.

APPENDIX B
SIYATHEMBA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Land and Buildings													
Land	28,920,040	-	-	-	-	-	28,920,040	-	-	-	-	-	28,920,040
Buildings	62,764,859	199,469	-	-	-	-	62,964,328	4,669,689	1,361,781	-	-	6,031,470	56,932,858
	91,684,899	199,469	-	-	-	-	91,884,368	4,669,689	1,361,781	-	-	6,031,470	85,852,898
Infrastructure													
<i>Electricity:</i>													
LV Network	43,311,948	3,284,981	-	-	-	-	46,596,930	6,822,533	2,039,940	-	-	8,862,473	37,734,457
Buildings and External Facilities -	57,309	-	-	-	-	-	57,309	3,821	955	-	-	4,776	52,533
MV Network	7,487,101	-	-	-	-	-	7,487,101	848,705	212,176	-	-	1,060,881	6,426,220
<i>Airport:</i>													
Buildings and External Facilities -	640,040	-	-	-	-	-	640,040	42,669	10,667	-	-	53,337	586,703
<i>Railway:</i>													
Railway	1,277,747	-	-	-	-	-	1,277,747	85,183	21,296	-	-	106,479	1,171,268
<i>Other Structures:</i>													
Buildings and External Facilities -	1,142,640	-	-	-	-	-	1,142,640	220,778	55,194	-	-	275,972	866,668
MV Network - O	545,795	-	-	-	-	-	545,795	70,199	17,550	-	-	87,748	458,047
Storm Water- O	1,927,247	-	-	-	-	-	1,927,247	128,483	32,121	-	-	160,604	1,766,643
Storage- O	19,170	-	-	-	-	-	19,170	3,834	958	-	-	4,792	14,377
LV Network- O	1,259	-	-	-	-	-	1,259	101	25	-	-	126	1,133
Distribution / Reticulation Network	928,769	-	-	-	-	-	928,769	147,577	36,894	-	-	184,471	744,297
Road Structures - O	134,195	-	-	-	-	-	134,195	12,734	3,183	-	-	15,917	118,277
Water Pump Station - O	54,216	-	-	-	-	-	54,216	14,458	3,614	-	-	18,072	36,144
<i>Roads:</i>													
Storm Water	2,333,312	-	-	-	-	-	2,333,312	152,124	38,889	-	-	191,012	2,142,299
Road Structures	102,688,351	-	-	6,980,606	-	-	109,668,957	20,855,092	5,271,011	-	-	26,126,103	83,542,853
Traffic Management	6,896,467	-	-	-	-	-	6,896,467	975,872	248,892	-	-	1,224,764	5,671,703
Bridges	2,478,848	-	-	-	-	-	2,478,848	123,942	30,986	-	-	154,928	2,323,920
Buildings and External Facilities -	16,154	-	-	-	-	-	16,154	3,231	808	-	-	4,038	12,115
<i>Sanitation:</i>													
Solid Waste Disposal	7,600,991	1,543,472	-	-	-	-	9,144,463	1,419,159	539,860	-	-	1,959,019	7,185,444
Waste Water Treatment	26,975,060	39,587	-	-	-	-	27,014,647	3,038,092	769,920	-	-	3,808,012	23,206,635
Collection / Reticulation Network	76,933,018	-	-	6,417,838	-	-	83,350,856	6,163,125	1,540,781	-	-	7,703,907	75,646,950
Sewer Pump Station	2,420,255	-	-	-	-	-	2,420,255	526,749	143,727	-	-	670,476	1,749,779
<i>Water:</i>													
Boreholes	7,291,431	223,467	-	-	-	-	7,514,898	829,057	242,015	-	-	1,071,072	6,443,826
Storage	23,155,870	20,226	-	-	-	-	23,176,096	3,217,955	807,349	-	-	4,025,305	19,150,791
Distribution / Reticulation Network	43,107,679	20,800	-	9,856,632	-	-	52,985,110	3,748,497	938,298	-	-	4,686,795	48,298,315
Water Pump Station	2,197,539	-	-	-	-	-	2,197,539	340,456	85,803	-	-	426,260	1,771,279
Buildings and External Facilities -	80,199	-	-	-	-	-	80,199	10,171	2,543	-	-	12,714	67,485
Water Treatment	28,541,388	-	-	-	-	-	28,541,388	4,725,748	1,192,585	-	-	5,918,333	22,623,054
	390,243,995	5,132,534	-	23,255,076	-	-	418,631,605	54,530,344	14,288,042	-	-	68,818,386	349,813,219

APPENDIX B
SIYATHEMBA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	Value
	R	R	R	R	R	R	R	R	R	R	R	R	R
Leased Assets													
Plant and equipment	696,900	-	-	-	-	-	696,900	142,926	99,557	-	-	242,483	454,417
Motor vehicles	1,265,655	-	-	-	-	-	1,265,655	214,087	180,808	-	-	394,895	870,760
Office equipment	1,187,378	-	-	-	-	-	1,187,378	634,433	348,396	-	-	982,830	204,548
	3,149,933	-	-	-	-	-	3,149,933	991,446	628,761	-	-	1,620,208	1,529,725
Other Assets													
<i>Emergency equipment</i>													
Fire fighting equipment / fire hose	24,630	-	-	-	-	-	24,630	17,734	2,217	-	-	19,950	4,680
Emergency / rescue equipment	6,912	-	-	-	-	-	6,912	4,977	622	-	-	5,599	1,313
<i>Motor vehicles</i>													
Trailers and accessories	501,354	56,000	-	-	-	-	557,354	96,260	30,238	-	-	126,498	430,856
Trucks, buses and Idv's	2,251,717	-	-	-	-	-	2,251,717	206,287	105,314	-	-	311,601	1,940,117
Tractors	314,709	-	-	-	-	-	314,709	39,251	13,783	-	-	53,034	261,675
Specialised vehicles	1,044,711	-	-	-	-	-	1,044,711	121,643	34,288	-	-	155,931	888,781
Emergency vehicles	49,868	-	-	-	-	-	49,868	6,383	1,596	-	-	7,979	41,889
Passenger vehicles	338,550	-	-	-	-	-	338,550	92,859	23,215	-	-	116,074	222,476
<i>Furniture and fittings</i>													
Other furniture and fittings	157,207	-	-	-	-	-	157,207	101,658	14,650	-	-	116,308	40,899
Shelving and bookcases	583,981	-	-	-	-	-	583,981	299,550	374,634	-	-	374,634	209,348
Tables & desks	531,858	-	-	-	-	-	531,858	255,935	69,125	-	-	325,059	206,799
Chairs and couches	666,622	1,491	-	-	-	-	668,113	328,815	88,592	-	-	417,406	250,707
Cabinets & cupboards	525,209	-	-	-	-	-	525,209	265,520	67,527	-	-	333,047	192,162
<i>Plant and equipment</i>													
Workshop equipment and tools	295,217	-	-	-	-	(1,449)	293,768	183,232	30,942	-	(454)	213,720	80,047
Plant and equipment - other	304,289	-	-	-	-	(3,508)	300,781	155,088	39,746	-	(851)	193,983	106,798
Earth moving equipment	23,550	-	-	-	-	-	23,550	5,597	3,028	-	-	8,625	14,925
Lawnmowers / gardening equipment	60,147	-	-	-	-	(3,999)	56,148	37,865	6,823	-	(1,479)	43,209	12,939
Lab equipment	81,737	-	-	-	-	-	81,737	58,851	7,356	-	-	66,207	15,530
Radio equipment	109,072	-	-	-	-	-	109,072	72,547	11,440	-	-	83,986	25,086
Generators	12,308	-	-	-	-	-	12,308	6,330	1,582	-	-	7,912	4,396
Compressors	34,880	-	-	-	-	-	34,880	17,938	4,485	-	-	22,423	12,457
Law enforcement equipment	137,300	-	-	-	-	-	137,300	98,856	12,357	-	-	111,213	26,087
<i>Office equipment</i>													
Computer hardware	949,297	73,231	-	-	-	(2,262)	1,020,266	595,544	172,865	-	(863)	767,546	252,720
Office equipment - other	150,652	1,168	-	-	-	-	151,820	73,524	19,285	-	-	92,810	59,010
Audiovisual equipment	86,903	-	-	-	-	-	86,903	58,407	10,177	-	-	68,584	18,319
Air conditioners	220,258	613	-	-	-	-	220,871	167,748	20,055	-	-	187,802	33,069
Domestic equipment	57,443	-	-	-	-	-	57,443	41,347	5,522	-	-	46,868	10,575
Office machines	12,676	-	-	-	-	-	12,676	8,610	1,319	-	-	9,929	2,748
	9,533,058	132,503	-	-	-	(11,218)	9,654,343	3,418,353	873,231	-	(3,647)	4,287,936	5,366,406
Total	494,611,885	5,464,506	-	23,255,076	-	(11,218)	523,320,249	63,609,833	17,151,815	-	(3,647)	80,758,000	442,562,249

APPENDIX B
SIYATHEMBA MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2015

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R

SIYATHEMBA MUNICIPALITY
ANALYSIS OF INVESTMENT PROPERTIES AS AT 30 JUNE 2014

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Investment Properties	R	R	R	R	R	R	R	R	R	R	R	R	R
Investment Properties	25,584,000	-	-	-	-	-	25,584,000	-	-	-	-	-	25,584,000
	25,584,000	-	-	-	-	-	25,584,000	-	-	-	-	-	25,584,000

SIYATHEMBA MUNICIPALITY
ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2014

Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Intangible Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Computer Software	1,420,618	6,575	-	-	-	-	1,427,193	5,498	6,639	-	-	12,137	1,415,056
	1,420,618	6,575	-	-	-	-	1,427,193	5,498	6,639	-	-	12,137	1,415,056
Total Asset Register	521,616,503	5,471,081	-	23,255,076	-	(11,218)	550,331,442	63,615,331	17,158,454	-	(3,647)	80,770,137	469,561,304
Description	Cost / Revaluation							Accumulated Depreciation / Impairment					Carrying Value
	Opening Balance	Additions	Fair Value Adjustment	Under Construction	Transfers	Disposals	Closing Balance	Opening Balance	Additions	Transfers	Disposals	Closing Balance	
Heritage Assets	R	R	R	R	R	R	R	R	R	R	R	R	R
Heritage Assets	1,226,200	-	-	-	-	-	1,226,200	-	-	-	-	-	1,226,200
	1,226,200	-	-	-	-	-	1,226,200	-	-	-	-	-	1,226,200
Total Asset Register	521,616,503	5,471,081	-	23,255,076	-	(11,218)	550,331,442	63,615,331	17,158,454	-	(3,647)	80,770,137	470,787,504

APPENDIX D
SIYATHEMBA MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

2014 Actual Income	2014 Budgeted Income	2014 Actual Expenditure	2014 Budgeted Expenditure	2014 Surplus/ (Deficit)	Description	2015 Actual Income	2015 Budgeted Income	2015 Actual Expenditure	2015 Budgeted Expenditure	2015 Surplus/ (Deficit)
R	R	R	R	R		R	R	R	R	R
					Municipal Governance and Administration					
747,675	705,130	5,077,351	6,620,130	(4,329,676)	Executive and Council	664,333	697,694	9,068,080	5,908,316	(8,403,747)
23,445,421	22,555,299	28,045,027	23,689,579	(4,599,606)	Budget and Treasury Office	25,096,314	29,564,678	26,060,697	10,175,502	(964,382)
36,371	41,000	4,579,988	5,256,162	(4,543,617)	Corporate Services	26,915	32,243	4,480,777	3,119,628	(4,453,863)
					Community and Public Safety					
1,072,420	830,518	1,082,263	1,289,967	(9,843)	Community and Social Services	879,358	40,583	924,759	980,171	(45,401)
-	-	14,443	6,000	(14,443)	Public Safety	-	-	6,556	3,894	(6,556)
-	-	2,338,877	2,645,710	(2,338,877)	Sport and Recreation	-	-	1,904,302	2,028,527	(1,904,302)
-	60,000	-	-	-	Housing	232	347	-	-	232
-	-	1,148	-	(1,148)	Health	-	-	-	-	-
					Economic and Environmental Services					
-	-	10,794	20,000	(10,794)	Environmental Protection	-	-	-	-	-
-	-	-	-	-	Planning and Development	-	-	-	-	-
17,932,756	29,358,000	12,117,832	9,934,374	5,814,924	Roads and Transport	12,461,311	40,593	10,122,096	10,513,641	2,339,215
					Trading Services					
15,918,691	23,275,800	16,221,157	20,107,363	(302,466)	Electricity	17,185,122	21,140,632	17,133,581	17,147,733	51,540
2,926,282	2,391,993	3,843,932	5,828,567	(917,650)	Waste Management	3,089,027	3,243,637	2,899,355	2,933,470	189,672
5,828,122	7,599,150	4,878,074	5,083,375	950,047	Waste Water Management	6,101,214	6,357,514	4,370,167	3,999,674	1,731,048
14,901,165	9,008,308	10,521,201	5,983,384	4,379,963	Water	13,415,803	11,048,508	9,598,007	4,996,914	3,817,796
731,288	765,000	204,481	870,000	526,807	Other	780,459	758,617	429,806	430,137	350,653
83,540,192	96,590,197	88,936,569	87,334,610	(5,396,378)	Sub-Total	79,700,088	72,925,046	86,998,184	62,237,608	(7,298,096)
					Revenue Foregone					
83,540,192	96,590,197	88,936,569	87,334,610	(5,396,378)	Total	79,700,088	72,925,046	86,998,184	62,237,608	(7,298,096)

APPENDIX E(1)
SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY STANDARD CLASSIFICATION FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15									2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
REVENUE - STANDARD										
Governance and Administration:										
Executive and Council	672,810	-	672,810	24,884	697,694	664,333	(33,361)	95.22	98.74	747,675
Budget and Treasury Office	25,417,023	-	25,417,023	4,147,655	29,564,678	25,096,314	(4,468,364)	84.89	98.74	23,445,421
Corporate Services	947,750	-	947,750	(156,890)	790,860	807,374	16,514	102.09	85.19	767,660
Community and Public Safety:										
Community and Social Services	950,000	-	950,000	(909,417)	40,583	879,358	838,775	2,166.81	92.56	1,072,420
Sport and Recreation	-	-	-	-	-	-	-	0.00	0.00	-
Public Safety	-	-	-	-	-	-	-	0.00	0.00	-
Health	-	-	-	-	-	-	-	0.00	0.00	-
Economic and Environmental Services:										
Road Transport	11,167,400	-	11,167,400	(11,126,807)	40,593	12,461,311	12,420,718	30,698.18	111.59	17,932,756
Trading Services:										
Electricity	31,965,675	-	31,965,675	(10,825,043)	21,140,632	17,185,122	(3,955,510)	81.29	53.76	15,918,691
Waste Management	2,549,712	-	2,549,712	693,925	3,243,637	3,089,027	(154,610)	95.23	121.15	2,926,282
Total Revenue - Standard	91,271,236	-	91,271,236	(18,346,190)	72,925,046	79,700,088	6,775,042	109.29	87.32	83,540,192
EXPENDITURE - STANDARD										
Governance and Administration:										
Executive and Council	9,710,326	-	9,710,326	(3,802,010)	5,908,316	9,068,080	3,159,764	153.48	93.39	5,077,351
Budget and Treasury Office	22,973,766	-	22,973,766	(12,798,264)	10,175,502	26,050,625	15,875,123	256.01	113.39	28,045,027
Corporate Services	6,060,199	-	6,060,199	(2,521,007)	3,539,192	4,913,606	1,374,414	138.83	81.08	4,781,076
Community and Public Safety:										
Community and Social Services	1,600,323	-	1,600,323	(620,153)	980,171	924,759	(55,412)	94.35	57.79	1,082,263
Sport and Recreation	2,815,415	-	2,815,415	(786,888)	2,028,527	1,904,302	(124,225)	93.88	67.64	2,338,877
Public Safety	6,600	-	6,600	(2,706)	3,894	6,556	2,662	168.37	99.33	14,443
Housing	-	-	-	-	-	-	-	0.00	0.00	-
Health	-	-	-	-	-	-	-	0.00	0.00	1,148
Economic and Environmental Services:										
Road Transport	11,270,770	-	11,270,770	(757,129)	10,513,641	10,122,096	(391,545)	96.28	89.81	12,117,832
Trading Services:										
Electricity	17,087,662	-	17,087,662	60,071	17,147,733	17,133,581	(14,152)	99.92	100.27	16,221,157
Waste Management	6,423,304	-	6,423,304	(3,489,834)	2,933,470	2,899,355	(34,115)	98.84	45.14	3,843,932
Total Expenditure - Standard	89,429,423	-	89,429,423	(27,191,816)	62,237,608	86,998,184	24,760,576	139.78	97.28	88,936,569
Surplus/(Deficit) for the year	1,841,813	-	1,841,813	8,845,625	10,687,438	(7,298,096)	(17,985,535)	0.00	0.00	(5,396,378)

APPENDIX E (2)
SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE BY MUNICIPAL VOTE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15									2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R
REVENUE BY VOTE										
Vote 1 - EXECUTIVE AND COUNCIL	672,810	-	672,810	24,884	697,694	664,333	(33,361)	95.22	98.74	747,675
Vote 2 - BUDGET & TREASURY OFFICE	25,417,023	-	25,417,023	4,147,655	29,564,678	25,096,314	(4,468,364)	84.89	98.74	23,445,421
Vote 3 - CORPORATE SERVICES	-	-	-	-	-	-	-	0.00	0.00	-
Vote 4 - TECHNICAL & ENGINEERING SERVICES	3,395,650	-	3,395,650	(2,534,476)	861,174	2,802,784	1,941,610	325.46	82.54	2,927,009
Total Revenue by Vote	29,485,483	-	29,485,483	1,638,063	31,123,546	28,563,431	(2,560,115)	91.77	96.87	27,120,105
EXPENDITURE BY VOTE										
Vote 1 - EXECUTIVE AND COUNCIL	9,710,326	-	9,710,326	(3,802,010)	5,908,316	9,068,080	3,159,764	153.48	93.39	5,078,499
Vote 2 - BUDGET & TREASURY OFFICE	22,973,766	-	22,973,766	(12,798,264)	10,175,502	26,050,625	15,875,123	256.01	113.39	28,045,027
Vote 3 - CORPORATE SERVICES	-	-	-	-	-	-	-	0.00	0.00	-
Vote 4 - TECHNICAL & ENGINEERING SERVICES	9,665,544	-	9,665,544	(3,622,255)	6,043,289	7,335,443	1,292,154	121.38	75.89	7,212,268
Total Expenditure by Vote	42,349,636	-	42,349,636	(20,222,529)	22,127,107	42,454,148	20,327,040	191.86	100.25	40,335,795
Surplus/(Deficit) for the year	(12,864,153)	-	(12,864,153)	21,860,591	8,996,438	(13,890,717)	(22,887,155)	0.00	0.00	(13,215,689)

APPENDIX E (3)
SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15										2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Virement	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	R	R	R	R	R	R	R	R	R	R	R
Revenue by Source											
Property Rates	8,522,520	-	8,522,520	3,468,554	11,991,074	7,960,250	-	(4,030,824)	66.38	93.40	7,696,812
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-	0.00	0.00	-
Service Charges - Electricity	23,191,143	-	23,191,143	(5,070,482)	18,120,661	13,828,227	-	(4,292,435)	76.31	59.63	12,229,281
Service Charges - Water	6,985,026	-	6,985,026	744,069	7,729,095	9,110,503	-	1,381,408	117.87	130.43	8,455,763
Service Charges - Sanitation	4,215,077	-	4,215,077	(979,386)	3,235,691	3,226,001	-	(9,689)	99.70	76.53	3,065,501
Service Charges - Refuse	722,686	-	722,686	526,630	1,249,316	1,245,241	-	(4,076)	99.67	172.31	1,176,593
Service Charges - Other	-	-	-	(0)	(0)	-	-	0	0.00	0.00	0
Rental of Facilities and Equipment	880,250	-	880,250	(119,758)	760,492	782,172	-	21,680	102.85	88.86	730,173
Interest Earned - External Investments	400,000	-	400,000	(323,431)	76,569	104,364	-	27,795	136.30	26.09	98,482
Interest Earned - Outstanding Debtors	350,000	-	350,000	1,033,496	1,383,496	1,206,818	-	(176,678)	87.23	344.81	641,156
Fines	401,000	-	401,000	(370,433)	30,567	33,591	-	3,024	109.89	8.38	32,010
Agency Services	1,031,900	-	1,031,900	(1,029,592)	2,309	1,084,920	-	1,082,612	46,996.77	105.14	1,055,429
Transfers Recognised - Operational	(195,785,152)	(196,706,574)	(392,491,726)	(13,148,817)	(405,640,543)	26,975,505	-	432,616,048	0.00	0.00	47,147,837
Other Revenue	4,861,635	-	4,861,635	(3,077,715)	1,783,920	2,089,207	-	305,287	117.11	42.97	1,211,055
Total Revenue (excluding Capital Transfers & Contributions)	(144,223,915)	(196,706,574)	(340,930,489)	(18,346,190)	(359,276,679)	67,647,250	-	426,923,929	0.00	0.00	83,540,192
Expenditure											
Employee Related Costs	40,400,688	-	40,400,688	(8,946,376)	31,454,312	31,696,053	241,742	241,742	100.77	78.45	30,499,201
Remuneration of Councillors	2,575,339	-	2,575,339	(507,823)	2,067,516	2,456,549	389,033	389,033	118.82	95.39	2,020,672
Debt Impairment	3,193,773	-	3,193,773	(3,193,773)	-	6,544,289	6,544,289	6,544,289	0.00	204.91	6,415,226
Depreciation and Asset Impairment	11,104,753	-	11,104,753	(11,104,753)	-	16,051,795	16,051,795	16,051,795	0.00	144.55	17,158,454
Finance Charges	792,066	-	792,066	(679,363)	112,703	503,021	390,318	390,318	446.32	63.51	669,785
Bulk Purchases	14,189,431	-	14,189,431	679,876	14,869,307	14,622,647	-	(246,660)	98.34	103.05	13,457,492
Other Materials	3,150,928	-	3,150,928	(868,919)	2,282,009	2,308,769	26,760	26,760	101.17	73.27	4,364,864
Contracted Services	2,075,000	-	2,075,000	1,476,268	3,551,268	3,146,241	-	(405,028)	88.59	151.63	5,861,742
Transfers and Grants	-	-	-	73,005	73,005	56,187	-	(16,818)	76.96	0.00	70,605
Other Expenditure	11,947,445	-	11,947,445	(4,132,813)	7,814,632	9,612,633	1,798,002	1,798,002	123.01	80.46	8,410,958
Total Expenditure	89,429,423	-	89,429,423	(27,191,816)	62,237,608	86,998,184	25,441,938	24,760,576	139.78	97.28	88,936,569
Surplus/(Deficit)	(233,653,338)	(196,706,574)	(430,359,912)	8,845,625	(421,514,287)	(19,350,934)	(25,441,938)	402,163,352	0.00	0.00	(5,396,378)
Transfers Recognised - Capital	235,495,151	196,706,574	432,201,725	-	432,201,725	12,052,838	-	(420,148,887)	2.79	5.12	-
Surplus/(Deficit) for the Year	1,841,813	-	1,841,813	8,845,625	10,687,438	(7,298,096)	(25,441,938)	(17,985,535)	-	-	(5,396,378)

APPENDIX E(5)
SIYATHEMBA MUNICIPALITY

RECONCILIATION OF BUDGETED CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

Description	2014/15								2013/14
	Original Total Budget	Budget Adjustments	Final Adjustments Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Audited Outcome
	R	R	R	R	R	R	R	R	R
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Ratepayers and Other	65,834,000	-	65,834,000	65,834,000	32,443,432	(33,390,568)	49.28	49.28	27,696,439
Government - Operating	(193,778,951)	(196,706,574)	(390,485,525)	(390,485,525)	26,611,016				27,739,682
Government - Capital	235,495,151	196,706,574	432,201,725	432,201,725	12,052,838	(420,148,887)	2.79	5.12	18,764,443
Interest	5,825,000	-	5,825,000	5,825,000	104,364	(5,720,636)	1.79	1.79	98,482
Payments									
Suppliers and Employees	(110,557,710)	-	(110,557,710)	(110,484,705)	(53,768,720)	56,715,985	0.00	0.00	(58,390,314)
Finance Charges	(241,542)	-	(241,542)	(241,542)	(503,021)	(261,479)	0.00	0.00	(669,785)
Transfers and Grants	-	-	-	(73,005)	(56,187)	16,818	0.00	0.00	(70,605)
NET CASH FROM / (USED) OPERATING ACTIVITIES	2,575,948	-	2,575,948	2,575,948	16,883,723	(402,788,767)	655.44	655.44	15,168,342
Payments									
Capital Assets	(10,427,200)	-	(10,427,200)	(10,427,200)	(12,799,626)	(2,372,426)	0.00	0.00	(16,894,877)
NET CASH FROM / (USED) INVESTING ACTIVITIES	(10,427,200)	-	(10,427,200)	(10,427,200)	(12,798,959)	(2,371,759)	0.00	0.00	(16,875,042)
CASH FLOWS FROM FINANCING ACTIVITIES									
Payments									
Loans repaid	(894,155)	-	(894,155)	(894,155)	(570,347)	323,808	0.00	0.00	(518,433)
NET CASH FROM / (USED) FINANCING ACTIVITIES	(894,155)	-	(894,155)	(894,155)	(570,347)	323,808	0.00	0.00	(518,433)
	894,155		894,155	894,155	570,347				518,433
NET INCREASE / (DECREASE) IN CASH HELD	8,745,407	-	8,745,407	8,745,407	(3,514,417)	(12,259,824)	0.00	0.00	2,225,134
Cash / Cash Equivalents at the Year begin:	(67,958,290)	68,407,155	448,865	448,865	(604,193)	(1,053,058)	0.00	0.00	1,620,941
Cash / Cash Equivalents at the Year end:	(76,703,697)	68,407,155	(8,296,542)	(8,296,542)	2,910,224	11,206,766	0.00	0.00	(604,193)

APPENDIX F
SIYATHEMBA MUNICIPALITY

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

Name of Grant	Name of Organ of State or Municipal Entity	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenses
		Sept	Dec	March	June	Total	Sept	Dec	March	June	Total
Equitable Share	Nat Treasury	8,885,000	7,067,000	0	6,079,000	22,031,000	-5,507,750	-5,507,750	-5,507,750	-5,507,750	-22,031,000
FMG	Nat Treasury	1,800,000	0	0	0	1,800,000	-459,127	-555,250	-135,203	-650,421	-1,800,000
MIG	Nat Treasury	3,610,000	4,631,000	1,467,000	0	9,708,000	-3,168,866	-3,578,756	-1,539,546	-1,420,832	-9,708,000
Library	DSAC	445,000	0	446,000	0	891,000	-248,812	-222,303	-192,585	-177,172	-840,872
DWA	DWA	0	47,070	182,706	985,045	1,214,820	-47,070	0	-1,167,750	0	-1,214,820
INEP	DoE	0	500,000	0	0	500,000	-128,323	-36,853	-334,824	0	-500,000
MSIG	Nat Treasury	934,000	0	0	0	934,000	-934,000	0	0	0	-934,000
EPWP Incentive Grant	EPWP	400,000	300,000	300,000	0	1,000,000	-179,901	-363,783	-456,316	0	-1,000,000
Total Grants and Subsidies Received		16,074,000	12,545,070	2,395,706	7,064,045	38,078,820	-10,673,848	-10,264,696	-9,333,973	-7,756,175	-38,028,692

APPENDIX G
SIYATHEMBA MUNICIPALITY
STATEMENT OF REMUNERATION OF MANAGEMENT

30 June 2015

Incumbent	Acting Allowance	Basic Salaries	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R
Speaker						
P. Papier	-	648,763	48,468	72,562	170,000	939,793
Councillor						
GP. Mackay	-	201,829	24,468	-	-	226,297
FM. Van Wyk	-	188,144	95,339	-	-	283,482
J. Molepe	-	145,255	81,042	60,696	-	286,993
GA. Speelman	-	145,255	81,042	-	-	226,297
E. Martin	-	259,014	24,468	-	-	283,482
G. Macdonald	-	259,008	24,468	-	-	283,476
BA. Titus	-	145,255	81,042	-	-	226,297
Total for Councillors	-	1,992,522	460,337	133,258	170,000	2,756,117
Municipal Manager						
JRM. Alexander	-	657,498	112,107	143,170	-	912,775
Acting Chief Financial Officer						
H. Meiring	199,241	-	-	-	-	199,241
S. Hassen	138,633	-	-	-	-	138,633
Technical Services						
JJ. Badenhorst	-	498,394	113,184	108,940	-	720,518
Total for Senior Managers	337,874	1,155,892	225,291	252,110	-	1,971,167
Total for Management	337,874	3,148,414	685,628	385,368	170,000	4,727,284

Incumbent	Acting Allowance	Basic Salaries	Allowances	Contributions to Funds	Any Other Benefits	Total Remuneration
	R	R	R	R	R	R
Speaker						
P. Papier	-	458,944	69,670	1,785	-	530,399
Councillor						
GP. Mackay	-	196,763	14,514	-	-	211,277
FM. Van Wyk	-	150,635	60,642	-	-	211,277
J. Molepe	-	184,637	26,640	-	-	211,277
GA. Speelman	-	184,637	26,640	-	-	211,277
E. Martin	-	162,761	59,850	-	-	222,611
G. Macdonald	-	196,763	14,514	-	-	211,277
BA. Titus	-	150,635	60,642	-	-	211,277
Total for Councillors	-	1,685,775	333,112	1,785	-	2,020,672
Municipal Manager						
JRM. Alexander	-	574,202	150,235	129,518	-	853,955
Acting Chief Financial Officer						
H. Meiring	150,000	-	-	-	-	150,000
S. Hassen	150,000	-	-	-	-	150,000
Technical Services						
JJ. Badenhorst	-	466,700	111,214	108,758	-	686,672
Total for Senior Managers	300,000	1,040,902	261,449	238,276	-	1,840,627
Total for Management	300,000	2,726,677	594,561	240,060	-	3,861,299